THALES

Building a future we can all trust

Thales Nederland B.V.

# ANNUAL REPORT 2021

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Thales Nederland B.V.

# Supervisory Board and Board of Management

## Supervisory Board

Mr. P.A. Duhamel (appointed in 2018)
*Chairman*

Mr. C. Salomon (appointed in 2020)

Mr. M.M.G. Darmon (appointed in 2013 – June 2021)

Mrs. M. Schumacher (appointed in 2021)

Mr. P.J.M. van Uhm (appointed in 2017)

Mr. G. de Pontevès (appointed in June 2021)

## Board of Management

Mr. G.J. Edelijn
*Chairman*

## Report from the Board of Management to the Shareholders

We have the pleasure to present to you the annual report of Thales Nederland B.V., which includes

- the consolidated annual accounts for the year 2021, comprising:
  - the consolidated balance sheet as at 31 December 2021
  - the consolidated statement of income for 2021
  - the consolidated cash flow statement for 2021
  - the consolidated statement of comprehensive income for 2021
  - the notes to the consolidated annual accounts 2021
- the company annual accounts for the year 2021, comprising:
  - the company balance sheet as at 31 December 2021
  - the company statement of income for 2021
  - the notes to the company annual accounts 2021
- other information including the auditor's report to the 2021 annual accounts, issued by Mazars Accountants N.V.

In the course of the year under review, the Supervisory Board was regularly informed by the Board of Management on the operational activities of the Company by means of quarterly reports, strategic plans and projections. The Supervisory Board has kept close contact (formal and informal) with Thales Group management and the Board of Management of the Company with respect to the operational activities and changes within the Company and within the Thales Group. Several Supervisory Board meetings took place during the year to discuss these matters, with and without Thales Group executive members. Furthermore, the members of the Supervisory Board have regularly met with the representatives of the Central Works Council and the Works Council to exchange views on the above mentioned matters.

Hengelo OV, The Netherlands, 11 May 2022
*The Board of Management*

# Report from the Board of Management

Thales Nederland B.V. (“The company”) is engaged in the development, manufacturing and marketing of high-tech sensors, systems and (cyber) security services for the international defence, transport and security markets.

The Company was established on 22 December 1989. From 31 December 1991, 99% of the shares are held by Thales S.A. and 1% of the shares by the Dutch Government. In 2000, the company changed its name to Thales Nederland B.V.

For corporate income tax and value added tax purposes, Thales Nederland B.V. constitutes a Dutch fiscal unity with Thales Cryogenics B.V., Thales Real Estate B.V., Thales Transportation Systems B.V., Revenue Collection Systems B.V. and HTSP B.V. Thales Nederland B.V. is severally liable for all entities included in the fiscal unity.

**2021 Challenging growth with Silver Linings**
As the Covid-19 crisis continued from 2020 into 2021, our society steadily adjusted to this ‘new normal’ – at least as much as it could. For instance, the pandemic unexpectedly accelerated our Smart Working project; working digitally and flexible hours have become the norm. This helped protect and boost the health, safety and wellbeing of our people, which is always our top priority.

2021 remained a challenging year, even though we managed to take most of the effects of the pandemic in stride, having dealt with them the year before. In spite of a challenging labor market situation, we were again successful in attracting and hiring talent with a net increase of 165 new colleagues. Much time and attention was given to onboarding and development in the light of working-from-home restrictions. With a large part of our program portfolio containing  significant parts in innovation, research and development, we were able to grow our revenue however also had to significantly increase our activities in R&TD. This is why, working very closely with our customers, our teams are developing new ways of working together, combining priorities and optimizing key processes and accountabilities.

Over to the silver linings, of which there were plenty. To name a few: the signings of a NS50 contract with the Belgian and Dutch navies, a G2G contract for GM 200 MM/C radars with Norway and several SOTAS deals. With key programs in place in the main European NATO countries (Netherlands, Belgium, Germany, United Kingdom and France), we are very well positioned for further future growth.

Our Cryogenics business in Eindhoven delivered a record year with best results ever in order-intake and revenues. At the date of this report we are experiencing price issues in our supply chain, but constructive follow-on discussions with many of our customers for new orders are in effect.

2021 has furthermore been a great year for our Cybersecurity business. Its fully integrated Network Operations Centre (NOC) and Security Operations Centre (SOC) went 24/7 in 2020, and entered a true scale-up phase in 2021. We were granted new cybersecurity monitoring contracts by organisations in critical infrastructure, production and maritime sectors for both Information Technology (IT) as well as  Operational Technology (OT) security.

Continuing this positive trend our Transportation business saw several successes last year as well, including new axle counter contracts. We’ve more than made up here for the slow start in 2019, leading up to a great new contract in 2022: a new project with ProRail in the Netherlands, who granted us a large contract for the European Rail Traffic Management System (ERTMS) – the future of railway safety. The sum of all parts for

Transportation in 2021 means a strong market position in regards to the transfer of our Global Transportation Business to Hitachi at the end of 2022.

**Carve out GTS**

Thales and Hitachi Rail have entered in to an agreement regarding the sales of our Ground Transportation Systems business. As for Thales, this strategic move will allow the business to refocus on its core segments of Aerospace, Defence & Security and Digital Identity & Security and reinforce the Group's financial means. This will in particular strengthen our balance sheet and generate extra cash reserves to invest in our future, our people and our technologies, and further consolidate our world leadership in these core markets.

Divestment of this business will have a tangible impact of 11% on our operations and people. As GTS activities are spread around the world and involve all the functions, a strong project management has been put in place at Thales Corporate Level and GTS to prepare this carve out in close relationship with our countries. We will separate GTS activities from the rest of the Group and build the autonomy necessary to operate our business successfully as a standalone company from the date of closing, which is planned for end of 2022, beginning of 2023.

**Covid-19 Impact**

As the pandemic carried on, it continued to impact our onsite operations to a certain degree. Just like last year, our main priority was making sure all staff could safely work from home and from our offices. As a result, the number of employees with Covid infections was consistently lower than the national average. We had no large outbreaks and no hospitalisations due to Covid. Most importantly, not one of our infected staff lost their lives. We're incredibly proud of and thankful for the ways in which our teams continued to show resilience and creativity going through this pandemic, and hope to have the worst of it behind us.

**Financial Performance**

Although 2021 was the year of expected revenue growth, the Company realized a significantly higher sales level of € 526 mln in 2021, which is 14.3% higher than 2020.

The Company achieved an Operating profit at a level of 5.6% of sales (2020: 12.3%).

The Operating profit landed at an amount of € 29.3 mln (2020: € 56.5 mln). The decrease is mainly caused by a lower operating profit in Defence & Security because of an increase in research and development activities to drive innovation in our programme and product portfolio.

Net income decreased significantly and arrived at € 24.9 mln (2020: € 45.1 mln) in line with the decrease in operating profit.

The Company benefits from tax facilities (Innovation Box) reducing the effective tax rate to 21.35% (nominal tax rate of 25.0%).

The year-end cash position of the Company at year end 2021 increased compared to 2020. The total of cash and short-term deposits (with Thales S.A.) in 2021 was € 449.4 mln (2020: € 372.4 mln).

The solvency ratio (shareholders equity / total of shareholders equity and liabilities) as per the end of 2021 amounts to 41.1% (2020: 46.5%). This ratio doesn't reflect that liabilities (including advance payments received from customers) are covered through deposits (€ 446 mln) made with the Thales Group.

**Risk management**

Financial risks
Because of the high percentage of export sales there is a natural foreign currency exposure. In order to prevent this from materializing, the Group's (= Thales S.A.) Corporate treasury department consolidates data on the Group's exposure to interest rate and foreign exchange risk and uses appropriate financial instruments to hedge those risks. The Group's policy is to optimize its funding and banking operations and to control exchange rate and counter party risks by consolidating and pooling all unit's cash surpluses and requirements.

The Company hedges all foreign currency contracts in line with the Thales Group policy. The corporate treasury department of the Group arranges these hedge contracts.

The Group's exposure to interest rate fluctuations is covered by swaps. As a result, Thales Nederland does not hedge interest rate risks.

The Company's exposure to credit risk is low because it largely serves institutional clients, particularly governments, with first-rate credits. Furthermore, the company contracts credit insurance for customers with other credit ratings.

Operational risks
The Company's operational risks are managed by means of a reference system (Chorus) which describes the system in which the governance and organization of the internal structures, key roles, processes, management and operating rules and reference guides are documented and described.

The Company will be highly dependent on the investments available by the Dutch and export countries governments in the Defence domain for the development of new naval vessels and related technology. The timing of these large investments is frequently unpredictable and requires a decisive organization to optimize the Companies cost structure. Furthermore, it needs the Company to be ahead of developments and invest in innovation and preserve the needed knowledge and to have the qualitatively technical employees available.

If the current funds of Thales Netherland are insufficient, the Thales Group cash pool also provides Thales Netherlands the opportunity to attract funds more easily and against more favourable conditions compared to the situation where it has to obtain these funds from third parties.

Risk appetite
With the high tech and innovative nature of the Company, by definition the risk appetite can be qualified as high. Research projects and cutting-edge technology create a high uncertainty on the usability of the outcome in products and services of the Company. Mitigation of this risk is found in conservative accounting treatments: in the Balance Sheet there are currently no capitalized own developed assets, funds are available for Research and Technology and Self-Funded Research & Development (directly posted to the profit & loss account) and contingencies are allocated to projects which include technical risks. As a result, the Company is protected against the negative impact of uncertainties of technical- and technology research and development. The Company remains vulnerable for volatility in Order Intake of development projects for customers as the capacity of product development and engineering is on the short and medium term fixed whilst the coverage from the cost by projects might be volatile.

**Research and Development**
We increase our investments Customer -funded and Self-funded Research and Technology Development compared to the previous year mainly because of an increase in innovation activities in our programmes.

The focus of the investment in the years to come will be on the further extension of the radar portfolio, further expanding the current generation of vehicle communication equipment (SOTAS) and integration of new market requirements in our Mission Systems (TACTICOS). Capitalized development costs at the end of 2020 amount to nil (2019: nil).

**Human Resources**
Thales Nederland has been successful in attracting new talents which results in the increase of, our average number of employees in 2021 (2,129) with 165 compared to 2020 (1,964). The biggest challenge for 2021 will be to attract senior system engineers and system architects. We are addressing this via campaigns amongst our own colleagues to search within their own networks, increasing international recruitment activities within Thales in units that are dealing with a decrease in workload and better working together internationally on the external recruitment Market. Finally, we have started a system engineering unit in our Delft Office also to be better able to attract people in the Randstad region.

**Composition of the Management and Supervisory Board**
The management Board of Thales Nederland consists of Gerben Edelijn, CEO.

The Supervisory Board of Thales Nederland consists of five members. Three members hold an executive position within the Thales Group's Global Business Units (GBU) operating in the Netherlands. The other two members are external members without a position in the Thales Group.

In the Supervisory Board Meeting of April 14, 2021 Margot Schumacher has been appointed as the new member of the Thales Nederland Supervisory Board. Other Board members are Mr. P.J.M. van Uhm (external), Mr. P. Duhamel (EVP Defence Mission Systems), Mr. C. Salomon (EVP Land and Air Systems) and Mr. G. de Pontevès (VP Finance Defence Mission Systems). Mr. G. De Pontevès replaced Mr. M. Darmon who's term the Supervisory Board ended in June 2021.

**Former Gemalto Business**
Thales results of the former Gemalto Business lines in the Netherlands are not included in this annual report as the formal governance of the former operating entities of Gemalto in The Netherlands have not been transferred to Thales Nederland B.V.

**Outlook**
Similar to the year before, 2022 takes place in an unpredictable health and economic environment. Most shockingly, 2022 has shown us that peace in Europe is not a given. The terrible situation in Ukraine reminds us that without stability and security, there can be no prosperity, inclusivity or sustainable development. Since the invasion, the Thales Group's share price has been on the rise. This increase is driven by the perspective of higher defence budgets and deliveries of new-generation defence systems in Europe, and by the need for cybersecurity as cyberattacks on Western interests increase.

Our mission is to build a future we can all trust, and we are ready and willing to adjust our priorities when necessary to best support our customer and network in these uncertain times. We will continue to focus on maintaining our position of system integrator and continue our research and development activities to maintain state-of-the-art solutions including sensors, mission and security management systems in Defence, Transportation and (Cyber)security markets.

However bittersweet, 2022 is also a special anniversary year for us. On July 6, 1922 NV Hazemeijers factory of Signal devices was founded because of the wish of the Royal Navy to outfit Hr. ms. Sumatra (1926) and Mr. ms. Java (1925) with fire control. We are its legal successor, gladly paying tribute to our roots. In the past century, our field of activity has expanded from safety at sea to safety in public transport, in our airspace, of our planet and of our digital safety. A rich history highlighting collaborations with industries, governments and knowledge institutions. One hundred years of building a future we can all trust. A mission that only be fulfilled when working together, and one that has brought us to where we stand today. We’re looking forward to the next 100 years.

Hengelo OV, The Netherlands, 11 May 2022

Mr. G.J. Edelijn

***Chairman***

## Financial Statements

## Consolidated balance sheet as at 31 December 2021

(Before appropriation of net income) (All amounts in thousands of euro)

| Assets | 2021 | 2020 |
|---|---|---|
| **Fixed assets:** | | |
| Intangible fixed assets [1.] | 2,687 | 3,000 |
| Tangible fixed assets [2.] | 71,473 | 70,137 |
| Financial fixed assets [3.] | 791 | - |
| Deferred tax assets [4.] | 90 | 163 |
| **Total fixed assets** | **75,042** | **73,299** |
| **Current assets:** | | |
| Inventory: [5.] | | |
| Raw materials and supplies | 58,217 | 49,690 |
| Work in process and components | 107,590 | 65,044 |
| Prepaid on inventory | 8,326 | 12,098 |
| | 174,134 | 126,833 |
| Contract assets [6.] | 128,058 | 85,948 |
| Receivables: [7.] | | |
| Trade accounts receivable | 14,872 | 47,328 |
| Affiliated companies | 484,328 | 399,519 |
| Taxes and social security contributions | 894 | (10,787) |
| Other receivables and prepaid expenses | 8,392 | 8,094 |
| | 508,485 | 444,155 |
| Cash and cash equivalents [8.] | 3,579 | 2,375 |
| **Total current assets** | **814,256** | **659,311** |
| **Total assets** | **889,298** | **732,610** |

## Consolidated balance sheet as at 31 December 2021

(Before appropriation of net income) (All amounts in thousands of euro)

| Shareholders' equity and liabilities | 2021 | 2020 |
|---|---|---|
| **Shareholders' equity:** 9. | **365,430** | **340,991** |
| | | |
| **Provisions:** 10. | | |
| Employee benefits | 6,212 | 6,788 |
| Accrued contract costs | 34,337 | 29,940 |
| Warranty | 12,893 | 10,935 |
| Deferred tax liabilities | 772 | 2,129 |
| Other provisions | 2,527 | 2,633 |
| **Total provisions** | **56,741** | **52,426** |
| | | |
| **Current liabilities:** 11. | | |
| Suppliers and commercial credits | 21,077 | 23,564 |
| Contract liabilities 6. | 348,277 | 240,561 |
| Affiliated companies | 17,836 | 11,565 |
| Participations | 2 | (2) |
| Taxes and social security contributions | 7,022 | 15,205 |
| Other debts and accrued liabilities | 72,912 | 48,300 |
| **Total current liabilities** | **467,126** | **339,193** |
| | | |
| **Total shareholders' equity and liabilities** | **889,298** | **732,610** |

## Consolidated statement of income for the year 2021

(All amounts in thousands of euro)

| | 2021 | 2020 |
|---|---|---|
| **Net Sales** [12.] | 525,861 | 460,247 |
| Cost of sales | (410,244) | (327,686) |
| **Gross operating result** | 115,617 | 132,561 |
| Marketing and selling expenses | (49,387) | (42,775) |
| General management expenses [13., 14, 15.] | (36,935) | (33,316) |
| *Total costs* | *(86,322)* | *(76,091)* |
| **Operating profit** | **29,295** | **56,470** |
| Financial income/(expense) [16.] | 2,810 | (840) |
| **Income before taxes** | **32,104** | **55,630** |
| Income taxes [17.] | (7,232) | (10,454) |
| Income from non-consolidated companies [3.] | - | - |
| **Net income** | **24,872** | **45,175** |

## Consolidated statement of Other Comprehensive Income for 2021

(All amounts in thousands of euro)

| | 2021 | 2020 |
|---|---|---|
| **Consolidated Net Income for the year** | 24,872 | 45,175 |
| *Net other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| Exchange differences on translation of foreign operations | (1,018) | - |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **(1,018)** | **-** |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):* | | |
| Re-measurement gains (losses) on defined benefit plans | 585 | 435 |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods** | **585** | **435** |
| **Other comprehensive income/(loss) for the year, net of tax** | **(433)** | **435** |
| **Total other comprehensive income for the year, net of tax** | **24,439** | **45,610** |

## Consolidated cash flow statement for the year 2021

(All amounts in thousands of euro)

| | 2021 | 2020 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Operating profit | 29,295 | 56,470 |
| Adjustments for: | | |
| Depreciation of tangible fixed assets [2.] | 10,577 | 10,074 |
| Amortization of intangible fixed assets [1.] | 1,011 | 1,049 |
| Change in provisions [10.] | 5,673 | 9,784 |
| Movements in working capital: | 17,261 | 20,907 |
| | | |
| Inventories [5.] | (47,302) | (39,476) |
| Contracts assets/ liabilities [6.] | 65,607 | 53,695 |
| Receivables [7.] | 20,478 | 29,855 |
| Current liabilities [11.] | 20,217 | (1,433) |
| | 59,000 | 42,641 |
| **Cash generated from / (used in) operations** | **105,556** | **120,018** |
| Interest received [16.] | 164 | 8 |
| Income tax paid [4. 10. 11. 17.] | (8,517) | (5,243) |
| Interest paid [16.] | (13) | (305) |
| | (8,366) | (5,540) |
| **Net cash flow from / (used in) operating activities** | **97,190** | **114,477** |
| | | |
| **Cash flow from investing activities:** | | |
| Additions to (in-)tangible fixed assets [1. 2.] | (12,612) | (5,541) |
| Proceeds from disposal of tangible fixed assets [2.] | - | 523 |
| Mutations equity [21.] | (433) | 828 |
| **Net cash flows from / (used in) investing activities** | **(13,045)** | **(4,190)** |
| | | |
| **Cash flows from financing activities:** | | |
| Receipts from affiliated companies [7.] | (84,808) | (109,766) |
| Redemption from financial fixed assets [3.] | (791) | - |
| Proceeds from financial fixed assess [3.] | - | - |
| **Net cash flows from / (used in) financing activities** | **(85,599)** | **(109,766)** |
| | | |
| **Net cash flows** | **(1,455)** | **522** |
| Exchange gains/(losses) on cash at banks and in hand [16.] | 2,659 | (543) |
| **Net increase / (decrease) in cash and cash equivalents** | **1,204** | **(21)** |
| | | |
| **Cash and cash equivalents at 1 January** | 2,375 | 2,396 |
| Movements during the financial year | 1,204 | (21) |
| **Cash and cash equivalents at 31 December** | **3,579** | **2,375** |

# Notes to the consolidated annual accounts 2021

(All amounts in thousands of euro)

## General

Thales Nederland B.V. ("the Company"), having its legal seat in Hengelo OV, The Netherlands, is engaged in the development, manufacturing and marketing of high-grade technical radar-, communication-, control-, information- and fire control systems for defense and civil purposes. Chamber of Commerce number is 06061578.

The consolidated annual accounts of the Group (see paragraph 'Consolidation' for the Group definition) have been included in the consolidated annual accounts of Thales S.A., seated in Paris, France. The consolidated annual accounts of Thales S.A., are filed at the Chamber of Commerce in Paris.

## Accounting principles

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code, the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

In accordance with Article 2:402 of The Dutch Civil Code the Statement of Income is presented in abbreviated form.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement, references are made to the notes. All accounts are based on a going concern principle.

### Consolidation

The consolidation includes the financial information of Thales Nederland B.V., its group companies and other entities in which it exercises control or whose central management it conducts having its legal seat in Hengelo OV, The Netherlands. Group companies are entities in which Thales Nederland B.V. exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or of which it has the authority to govern otherwise their financial and operating policies. Potential voting rights that can be exercised directly from the balance sheet date are also taken into account.

Group companies and other entities in which Thales Nederland B.V. exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately. Participating interests over which no control can be exercised (associates) are not included in the consolidation.

The Company's interests in joint ventures are accounted for by proportionate consolidation. An entity qualifies as a joint venture if its participants exercise joint control under a collaborative agreement.

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are also eliminated, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

The consolidated annual accounts include the annual accounts of the Company and its subsidiaries Thales Cryogenics B.V., Thales Real Estate B.V., Thales Transportation Systems B.V., Revenue Collection Systems Netherlands B.V. and HTSP B.V. (together: "The Group"). All subsidiaries are 100%-subsidiaries.

The following investments in subsidiaries are included in the consolidation:

| Name | Legal seat | Percentage ownership |
|---|---|---|
| Thales Cryogenics B.V. | Hengelo, The Netherlands | 100% |
| Thales Real Estate B.V. (TRE) | Hengelo, The Netherlands | 100% |
| Thales Transportation Systems B.V. | Hengelo, The Netherlands | 100% |
| HTSP B.V. (via TRE) | Hengelo, The Netherlands | 100% |
| Revenue Collection Systems Netherlands B.V. | Hengelo, The Netherlands | 100% |

The Company is also partner in V.o.f. Thales Unica of Huizen. In this v.o.f. the Company is entitled to 50% of the profits.

**Related parties**
The related parties of Thales Nederland B.V are it's subsidiaries, associates, supervisory board members and board of management members.

All transactions with related parties are conducted on an arm's length basis.

**Accounting policies for the cash flow statement**
The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired group company has been recognised as cash used in investing activities where it was settled in cash. Any cash at banks and in hand in the acquired group company have been deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

**Comparison with previous year**
The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant sections.

**Estimates**
In applying the principles and policies for drawing up the financial statements, the directors of the Company make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Article 2:362 paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

**Foreign currency**
Assets and liabilities denominated in foreign currencies are translated into euro at the year-end exchange rate. Transactions in foreign currency are translated at the exchange rate in effect at the time of the transaction. The exchange results are recorded under financial income and expense in the statement of income.

**Financial instruments**
Securities included in financial and current assets are stated at fair value, if these are related to securities held for trading or if they relate to equity instruments not held for trading, as well as derivatives of which the underlying object is listed on a stock exchange. All other on-balance financial instruments are carried at (amortized) cost.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If no fair value can be readily and reliably established, fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and/or option pricing models, making allowance for entity-specific inputs. Derivatives are initially recognized in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is quoted in an open market. If the underlying object of the derivative financial instrument is listed on a stock exchange, it is valued at fair value. If the object is not quoted in an open market, it will be stated at cost or current value, if lower. Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument to which hedge accounting is applied.

**Hedge accounting**
Foreign currency exposure is managed by the finance department of Thales Nederland B.V. according to the policy of Thales Group SA, which uses foreign currency derivatives to hedge changes in the value of future cash flows related to commercial flows in foreign currencies. These derivative financial instruments are initially measured at fair value.

Thales Nederland B.V. classifies the derivatives on a portfolio basis in derivatives based on cost hedge accounting. These derivatives relate to forward currency contracts and are accounted for as follows.

The hedged item is carried at cost in the balance sheet, the derivative is also carried at cost. As long as the hedged item under cost hedging is not recognized in the balance sheet, the hedging instrument is not revalued.
If the hedged position of a forecast transaction results in the recognition of the relating non-financial asset or liability, the related gains or losses not yet recognized in profit or loss are taken to the profit and loss account in the same period(s) in which the acquired asset or contracted liability has an effect on profit or loss.

The hedges are recognized on the basis of cost hedge accounting if the following conditions are met:
- The general hedging strategy and the way in which the hedging relationships are in line with risk management objectives and the expected effectiveness of these hedging relationships must be documented;
- The nature of the hedging instruments involved and hedged positions must be documented;
- Ineffectiveness must be recognized in the profit and loss account. Ineffectiveness applies in case the derivative covers a larger or lower amount than the hedged position taking into account the duration of the contract and the hedged item.

Cost hedge accounting is no longer applied if:
- The hedging instrument expires, is sold, terminated or exercised. The realized cumulative gains or losses on the hedging instrument not yet recognized in the profit and loss account at the time the hedge was effective, will be recognized in the balance sheet separately under accruals until the hedged transaction occurs.
- The hedging relationship no longer meets the criteria for hedge accounting. If the hedged position relates to a future expected transaction, hedge results are recognized as follows:
    - Hedge accounting will be discontinued from that moment if the forecast transaction is still expected to take place. The related cumulative gains or losses on the hedging instrument not included in the profit and loss account or balance sheet at the time the hedge was effective, will be either an off-balance or an on-balance item, depending on the situation.
    - If the forecast transaction is not expected to take place, the related cumulative gains or losses on the hedging instrument not included in the profit and loss account or balance sheet at the time the hedge was effective will be taken to the profit and loss account.

**Leasing**
The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract

## Accounting policies applied to the valuation of assets and liabilities

**Intangible fixed assets**
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary. Goodwill arising from acquisitions is capitalized over the economic useful life, with a presumed useful life of 15 years. In case of any permanent impairment the goodwill is revaluated.

Software is stated at acquisition cost, less straight-line depreciation. The depreciation is calculated on the basis of acquisition cost less residual value and the estimated useful life of the related asset. The estimated useful live for software is 4 years.

**Tangible fixed assets**
Tangible fixed assets are stated at their acquisition cost, less straight-line depreciation. The depreciation is calculated on the basis of acquisition cost less residual value and the estimated useful life of the related asset.

The estimated useful lives are:

| | |
|---|---|
| Buildings & building improvements | 7 - 50 years |
| Machinery and equipment | 7 - 12 years |
| Other tangible fixed assets | 3 - 4 years |

Tangible fixed assets under construction are stated at the lower of production cost or net realizable value. Production cost includes materials, direct labor and an attributable proportion of manufacturing overheads based on normal level of activity. Tangible fixed assets are impaired in case of any permanent revaluation. Costs for major maintenance are capitalized and depreciated based on the component approach.

**Impairment of non-financial assets**
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. 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 cash-generating units (CGU) fair value less costs to sell and its value in use. 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 to sell, 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 detailed 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. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

## Financial fixed assets

**Participations**
Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as Thales Nederland B.V. can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired associates are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the associate has changed since the previous financial statements as a result of the net result achieved by the associate is recognised in the income statement.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the realisable value (see also section “Impairment of fixed assets"); an impairment is recognised and charged to the income statement.

**Loans to associates**
Receivables recognised under financial fixed assets are initially valued at the fair value less transaction cost (if material). These receivables are subsequently valued at amortised cost – mostly equal to the nominal value. For determining the value, any impairments are is taken into account.

**Deferred tax assets**
Deferred tax assets are recognised for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law. Deferred income taxes are recognised at nominal value.

Deferred tax assets, which result from loss carry-forwards of individual group companies are recognized only to the extent that management can reasonably anticipate that compensating taxable profits will be realized in the foreseeable future.

## Inventory
Inventories (raw materials and supplies) are valued at historical price or production cost based on the average costing method or lower realisable value.

The work in process and components realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value the obsolescence of the inventories is taken into account.

## Accounts receivable

Accounts receivable are initially recognized at fair value. Subsequent valuation is stated at amortized costs which in practice is at nominal value, including an allowance for possible uncollectible accounts. When a trade receivable is uncollectible, it is impaired against the allowance account for trade receivables.

## Cash at banks and in hand

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

## Contract Assets and Liabilities

Overtime projects are under IFRS15 valued at percentage of completion based on the cost-to-cost method.
For a given contract, a contract asset represents the accumulated revenue not yet invoiced, less advances received from customers. This amount increases as and when revenue is recognised, and decreases when invoices are issued to the customers or advance payments are received.
If this amount is positive it is classified as “Contracts assets” in the balance sheet. If a negative balance arises, it is classified as: “Contract liabilities”. Contract assets and contract liabilities are determined at the contract level and not at the performance obligation level. Contract assets and Contract liabilities are applicable for overtime projects.

## Employee benefits

Under the provisions of RJ 271.101 the Group chose to apply IAS 19 (Revised) employee benefits. As a result, additional disclosures are made providing information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets, are recognized immediately in the net equity (retained earnings) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

## Accrued contract cost

The provision accrued contact cost contains a provision for loss making orders, other contract costs, Obsolescence, Sustainability & Maintenance (OSM) and offset obligations.
Provision for loss making orders: a contract with a negative gross margin will require a provision for loss at completion (provision for onerous contract). A contract is considered as onerous if costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In doing this assessment costs should correspond to the contract costs that are included in the gross margin.
Provision for other contract costs: mainly consist of all other provisions for negative projects.
Provision for OSM: valued at obsolescence and sustainability costs to come based on sales.

Provision for offset obligations: semi-direct offsets, indirect offsets and other fees to pay to a local third party to compensate the offset commitment (=that will not result in a reduction of the transaction price). Offsets execution costs must be included in the estimates at completion but not considered in the Cost-to-Cost calculation . As a result, the Percentage of Completion of the contract is calculated “excluding offsets” and a reserve for offset shall be accrued in the balance sheet based on this percentage. Actual costs incurred in order to fulfill the offset obligation will be covered by the reserve in the balance sheet.

### Provisions general
Provisions are stated at present value if the time value of the money is of material importance for the financial statements. Provisions are stated at nominal value if the time value of the money is not of material importance for the financial statements.

### Warranty provision
The provision for warranty relates to the costs associated with free service and replacement of parts after completion of an order. The provision is computed on the basis of historical experience.

### Other provisions
Other provisions are recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligations. Provisions are measured at the nominal value of the expenditures expected to be required to settle the obligation.

### Deferred tax liabilities
Deferred tax liabilities are recognised for temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred income tax is provided on temporary differences arising on investments in group companies, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by Thales Nederland B.V. and it is probably that the temporary difference will not reverse in the foreseeable future.

Deferred tax balances are valued at nominal value.

### Current liabilities
Current liabilities are stated at face value unless stated otherwise.

## Principles for the determination of the result

**General**
The result is the difference between the realisable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognised in the year in which they are realised.

**Revenue**
Under the revenue of RJ 270.101a the Group chose to apply IFRS 15 Revenue from contracts with customers. The Group's principles of revenue recognition are the following:

<u>Unbundling of multiple performance obligations within a single contract</u>
Some contracts include the supply to the customer of distinct goods and services (for instance contracts combining building of assets, followed by operation and maintenance). In such situations, the contract must be segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate. This applies to a minority of the programs. The majority of the programs has one performance obligation.
The contract price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Thales expects to be entitled in exchange for the supply of these goods or services.
Options notified by the customer for the supply of distinct additional goods or services are generally accounted for separately from the initial contract. Bid costs cannot be recognized as contract costs and must be expensed in the Statement of income as and when they are incurred, unless explicitly chargeable to the customer, regardless of whether the contract is obtained.

The performance obligation is satisfied upon delivery of goods and services and payment is generally due within 30 days from delivery. For some subcontractors the payment term is within 60 days from delivery before it's due.

<u>Evaluation of revenue allocated to performance obligations</u>
Variable considerations as incentives, bonus, refunds, discounts and contingent price adjustment related to variation orders or claims penalties are included in the selling price are taken into account only to the extent that it is highly probable that a significant reversal in the amount of revenue already recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
When (or as) a performance obligation is satisfied, the entity shall recognise as revenue the amount of the transaction price (which excludes estimates of variable consideration that are constrained) that is allocated to that performance obligation.
The estimates of variable considerations are revised at each reporting date and are based on the "most likely amount" that project teams consider reasonable to account for without creating risk of reversal of revenues. The "most likely amount" is the result of the assessment of the few possible outcomes that are foreseen by the project team.
Penalties for late delivery or for the improper execution of a performance obligation are recognised as a deduction from revenue.
If the financing component is deemed significant, the selling price is adjusted to reflect a "cash" selling price for the goods and services provided. A financing component exists when parties have agreed to set up a financing to the advantage of one of them, through contractual terms and the period is more than 12 months.

Claims/ amendments will impact the transaction price when it is highly probable that such claims will be accepted by the customer. In order to be characterized as highly probable, the following conditions must notably be met:
- The claim (amendment) must have been formally sent to the customer,
- As regards to amendments, a pricing sheet that has been documented and validated in accordance with the applicable procedures must exist,
- The unit can demonstrate that the customer is favorable to the claim (amendment) and related price (letter from the customer, meeting minutes, etc.),
- The formal notification must be signed within 6 months (any exception to this rule must be validated by the finance director of the GBU),
- Revenues recognized on the basis of these criteria must be identified as a risk factor to be monitored and reported in the schedules of risks and opportunities.

Contractual amendments negotiated with customers are included in the selling price only when they become legally enforceable.

Recognition of revenue over time or at a point in time

Revenue is recognized when or as each related performance obligation is satisfied, i.e. when or as the customer obtains the control of the promised good or service. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Control may be transferred either over time (percentage of completion accounting) or at a point in time.

The transfer of control is over time when one of the following criteria is met:
- The goods sold have no alternative use tot the entity and
- The Group has an enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date, in the event of termination for reasons other than Thales' failure to perform as promised.

These criteria are fulfilled by the vast majority of Group contracts that include the design, manufacture and delivery of complex goods.

Revenue from service contracts is generally recognised over time, as the customer simultaneously receives and consumes the benefits of these services provided by Thales.

When a contract does not comply with any of the criteria listed above, revenue is not recognized over time but at a point in time.

Revenue from the sale of goods with an alternative use, and/or for which the Group has no enforceable right to payment in case of termination for convenience by the customer, is recognised when the goods are delivered to the customer. This essentially concerns equipment and spare parts.

Cost to cost percentage of completion method

The percentage of completion method generally used by the Group is expense-based: revenue is recognised based on costs incurred to date in relation to all the costs expected upon completion.

Margin recognition

Expected losses on contracts are fully recognised as soon as they are identified.  A contract is considered as onerous if costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. In doing this assessment, Thales considers that costs should correspond to the contract costs that are included in the gross margin.

Significant judgements
A very significant part of the Group's revenue and current operating income stems from contracts recognised according to the percentage of completion method. These contracts often span several financial years. In the accounting closing process, the recognition of revenue and operating margin relating to these contracts depends mainly:
- on estimates of revenue and margin at completion, including provisions for technical and commercial risks;
- on costs incurred to date compared to the total costs expected at completion.

Monitoring of costs incurred to date and estimates of figures at completion are based, for each contract, on the Group's internal systems and procedures, with project managers playing a key role. These estimates are reviewed regularly by the Operations and Finance departments, under the supervision of Thales Netherlands' management, particularly at each period-end reporting.

Warranties
A warranty provided in connection with the sale of a product (whether a good or service) should be analysed to determine whether it is a distinct performance obligation or not.
- Some warranties ("assurance type warranties") only provide the customer with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications (for example when the customer does not have the option to purchase the warranty separately). In this case, the warranty is not a performance obligation and costs expected to be incurred should be accrued. This type of warranty will be activated in the balance sheet.
- Other warranties ("service type warranties") provide the customer a service in addition to the assurance that the product complies with agreed-upon specifications (for example, if the customer has the option to purchase an extension of the warranty period or coverage separately). In this case, the warranty is a distinct performance obligation and a portion of the contract consideration should be allocated to that performance obligation and recognized as revenue as, or when the performance obligation is satisfied. For this type of warranty a separate PO will be taken into account as part of a specific contract.

**Operating costs**
Operating costs are calculated on a historical cost basis. The cost of raw materials and consumables is generally determined on the average historical purchase price. Research and development expenses are charged to the operating income in the period in which they are incurred.

**Interest income**
Revenue is recognized as interest accrues (using the effective interest rate, that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

**Government grants**
Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal annual amounts over the expected useful life of the related asset.

**Taxation**
Income tax is computed on the reported profit before income tax of each individual group company at the tax rate applicable during the financial year, taking into account permanent differences, which exist between the profit calculation for book purposes and for tax purposes. All subsidiaries within the Thales Nederland-group

compute their income tax by the profit before tax. The liability within the group will be settled through their intercompany accounts whereby Thales Nederland B.V. ultimately settles the income tax for the fiscal year with the fiscal authority.

**Covid-19 Impact**
As the pandemic carried on, it continued to impact our onsite operations to a certain degree. Just like last year, our main priority was making sure all staff could safely work from home and from our offices. As a result, the number of employees with Covid infections was consistently lower than the national average. We had no large outbreaks and no hospitalisations due to Covid. Most importantly, not one of our infected staff lost their lives. We’re incredibly proud of and thankful for the ways in which our teams continued to show resilience and creativity going through this pandemic, and hope to have the worst of it behind us.

## Notes to the consolidated balance sheet

(All amounts in thousands of euro)

### 1. Intangible fixed assets

The movement in the intangible fixed assets is as follows:

| | Goodwill | Software | Total |
|---|---|---|---|
| Historical costs 1 January 2021 | 4,259 | 6,903 | 11,162 |
| Accumulated amortization / depreciation 1 January 2021 | (2,839) | (5,323) | (8,162) |
| Book value 1 January 2021 | 1,420 | 1,581 | 3,000 |
| Transfers | - | 698 | 698 |
| Additions | - | - | - |
| Disposals (net) | - | - | - |
| Amortization / Depreciation | (284) | (727) | (1,011) |
| **Book value 31 December 2021** | **1,136** | **1,552** | **2,688** |
| | | | |
| Historical costs 1 January 2021 | 4,259 | 6,918 | 11,177 |
| Accumulated amortization / depreciation 1 January 2021 | (3,123) | (5,367) | (8,490) |
| **Book value 31 December 2021** | **1,136** | **1,552** | **2,688** |

The goodwill arises from the acquisition in 2010 by Thales Transportation Systems B.V. of the maintenance activities, related to the OV-chip card system in the Netherlands, which have been taken over from Vialis Public Transport B.V.

The presumed useful life of the goodwill (15 years) is based on the combination of the estimated useful life of the OV-chip card system and the period in which it is expected that Thales Transportation Systems B.V. will provide maintenance activities for the OV-chip card system.

## 2. Tangible fixed assets

The movement in tangible fixed assets is as follows:

| | Land and buildings | Machinery and equipment | Other tangible fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|
| Book value 1 January 2021 | 53,685 | 6,242 | 8,876 | 1,333 | 70,136 |
| Additions | - | - | - | 12,613 | 12,613 |
| Transfers | 1,559 | 915 | 4,026 | (7,198) | (698) |
| Impairment | - | - | - | - | - |
| Disposals (net) | - | - | - | - | - |
| Depreciation | (5,467) | (1,539) | (3,571) | - | (10,577) |
| **Book value 31 December 2021** | **49,777** | **5,618** | **9,330** | **6,749** | **71,473** |
| The composition as of 31 December 2021 is as follows: | | | | | |
| Historical costs | 112,600 | 37,825 | 50,888 | 6,749 | 208,061 |
| Accumulated depreciation | (62,822) | (32,208) | (41,558) | - | (136,587) |
| **Book value 31 December 2021** | **49,778** | **5,617** | **9,330** | **6,749** | **71,473** |

## 3. Financial fixed assets

The movement in financial fixed assets is as follows:

| | **2021** | **2020** |
|---|---|---|
| Investments in non-consolidated companies | | |
| Balance 1 January | - | - |
| Income from participations | - | - |
| Disposals (net) | - | - |
| Revaluations | - | - |
| Balance 31 December | - | - |
| Other financial fixed assets | | |
| Balance 1 January | - | - |
| Redemption | - | - |
| Interest amortization | - | - |
| Addition | 791 | - |
| Balance 31 December | 791 | - |
| **Balance 31 December** | **791** | **-** |

## 4. Deferred tax assets

The deferred position is built up as follows:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax assets relating to timing differences | 90 | 163 |
| | **90** | **163** |

The movement of the deferred tax assets is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance as of 1 January | 163 | 209 |
| Deferred tax related to re-measurement pensions (directly through equity) | - | 310 |
| Change of timing differences | (73) | (356) |
| **Balance as of 31 December** | **90** | **163** |

There are no deferred tax assets regarding tax losses. All deferred tax assets relate to timing differences between commercial and fiscal results.

## 5. Inventory

Included in the prepayments on inventory is an amount of euro 417 (2020: euro 0) related to affiliated companies and euro 0 (2020: euro 0) related to participations. The net inventory includes a provision for obsolete inventory items of euro 39,200 (2020: euro 35,549). An amount of euro 3,762 (2020: euro 3,580) has been charged to the result of 2021 for write down of obsolete inventory.

## 6. Contract Assets and Liabilities

| | 2021 | 2020 |
|---|---|---|
| Contract assets | 128,058 | 85,948 |
| Contract liabilties | 348,277 | 240,561 |

In 2021 the revenue for overtime projects is euro 391,758.

In 2021 the amount invoiced for overtime projects is euro 455,494.

The contract assets has mainly increased with euro 42,109 related to Military programs Defence & Security.

The amount of euro 155,106 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2021.

The amount of revenue recognised in the period ended 31 December 2021 from performance obligations satisfied (or partially satisfied) in previous periods is euro 807.

## 7. Receivables

All receivables mature within 1 year. The trade accounts receivable include a provision for doubtful debtors of euro 2,742 (2020: euro 2,079). An amount of euro 882 (2020: euro 545 addition) is added from the provision of doubtful debtors to the result of 2021. Affiliated companies include a short-term deposit of euro 445,780 (2020: euro 369,989) made to Thales S.A. which is interest bearing (<0.1% at 2021 and 2020).

## 8. Cash and cash equivalents

Cash as at 31 December 2021 includes no deposit amounts (2020: euro 0). No restrictions on usage of cash exist (2020: euro 0).

## 9. Shareholders' equity

The details regarding movement in shareholders' equity we refer to the notes to the company annual accounts (note 21).

## 10. Provisions

| | Accrued Contract Cost | Warranty | Deferred tax liabilites | Other provisions |
|---|---|---|---|---|
| Balance 1 January 2021 | 29,940 | 10,935 | 2,129 | 2,633 |
| Additions | 13,879 | 15,905 | - | - |
| Release | - | - | - | - |
| Usage | (9,482) | (13,947) | (1,357) | (106) |
| **Balance 31 December 2021** | **34,337** | **12,893** | **772** | **2,527** |
| The split between the long-term and short-term portion is as follows: | | | | |
| Long-term portion | - | 6,446 | 772 | 2,527 |
| Short-term portion | 34,337 | 6,446 | - | - |
| **Balance 31 December 2021** | **34,337** | **12,893** | **772** | **2,527** |

The provision accrued contract costs is built up as follows:

| | **2021** | **2020** |
|---|---|---|
| Provision for loss-making orders | 2,357 | 1,554 |
| Provision for other contracts costs | 20,075 | 17,482 |
| Provision OSM | 4,157 | 4,399 |
| Provision Offset Obligations | 7,748 | 6,505 |
| **Net provisions at 31 December** | **34,337** | **29,940** |

The other provisions relates to expenses potentially needed to settle a legal issue in an arbitration procedure. The duration of this provision is longer than 1 year.

**Employee benefits**

| | **2021** | **2020** |
|---|---|---|
| Pension provision | - | - |
| Jubilee provision | (6,212) | (6,788) |
| **Net provisions at 31 December** | **(6,212)** | **(6,788)** |

The retirement and other benefit related obligations are largely funded externally. Most of pension and related costs obligations are financed through plan assets. Changes in obligations and plan assets in 2021 and 2020 are described below.

The movement in the pension provision is as follows:

| | 2021 | 2020 |
|---|---|---|
| **Present value of obligations at 1 January** | - | (9,910) |
| Current service cost | - | (250) |
| Interest cost | - | (20) |
| Plan participants' contributions | - | - |
| New actuarial gains/(losses) | - | 1,820 |
| Past service cost (plan amendment) | | |
| Benefits paid | - | 8,360 |
| Liabilities extinguished on settlement | - | - |
| **Present value of obligations at 31 December** | - | - |
| | | |
| **Fair value of plan assets at 1 January** | - | - |
| Expected return on plan assets | - | - |
| Employer's contribution | - | - |
| Plan participants' contributions | - | - |
| Benefits paid by plan assets | - | - |
| Administration costs | - | - |
| New actuarial gains/(losses) | - | - |
| Assets distributed on settlements | - | - |
| Fair value of plan assets at 31 December | - | - |
| | | |
| **Net provisions at 31 December** | - | - |

In December 2015 the social partners and the pension fund have agreed to adjust the financial agreement to a Collective Defined Contribution (CDC) arrangement. As from January 1st 2021 a fixed premium of pensionable salary has been agreed upon for a period of 5 years. The pension plan qualifies as a Collective Defined Contribution plan under IAS19.

At the end of 2021 the coverage of the pension fund amounted to 130.8% (2020: 115.6%).

The overall expected rate of return is the weighted average return based on the fund's strategic asset allocation and the long-term expected rates of return on the major categories of both of the fund's investment managers. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

| | Benchmark/ Strategy | 2021 | 2020 |
|---|---|---|---|
| Equity | 35% | 43% | 36% |
| Bonds | 53% | 46% | 54% |
| Property | 10% | 11% | 9% |
| Cash | 2% | 0% | 1% |

Actuarial assumptions used, calculated by actuaries following specificities applicable for the Company and in The Netherlands, are specified below:

| | 2021 | 2020 |
|---|---|---|
| General inflation | 0.00% | 0.00% |
| Discount rate | 0.00% | 0.00% |
| Expected long term return on plan assets | 0.00% | 0.00% |
| Future compensation increase | 0.00% | 0.00% |

The aforementioned assumptions relate to the remaining defined benefit plan of the Group.

The mortality rates as at 31 December 2021 are derived from the mortality tables “Prognosetafel 2021” (2020: based on “Prognosetafel 2020”) of the Dutch Actuarial Society (AG), applied with experience factors to take into account the difference between mortality of the entire population and mortality of the insured population.

Periodic cost for the year is analysed below:

| | 2021 | 2020 |
|---|---|---|
| Current service cost | - | (250) |
| Past service cost | - | - |
| Gains on non-routine settlements | - | - |
| Administration costs | - | - |
| | - | - |
| Interest cost | - | (20) |
| Expected return on plan assets | - | - |
| **Total included in financial result** | **-** | **(270)** |
| **Defined benefit: Total periodic cost** | **-** | **(270)** |

Amounts for the current and previous four periods are as follows:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Present value of obligations at 31 December | - | - | (9,910) | (11,060) | (14,250) |
| Fair value of plan assets at 31 December | | | | | - |
| **Funded status at 31 December** | **-** | **-** | **(9,910)** | **(11,060)** | **(14,250)** |
| Experience adjustments on plan liabilities | - | 1,820 | (490) | 80 | (110) |
| Experience adjustments on plan assets | | | | | - |

The movement in the jubilee provision is as follows:

| | | |
|---|---|---|
| **Present value of obligations at 1 January** | (6,788) | (6,790) |
| Current service cost | (381) | (355) |
| Interest cost | (12) | (36) |
| Plan participants' contributions | - | - |
| New actuarial gains/(losses) | 229 | (212) |
| Past service cost (plan amendment) | | |
| Benefits paid | 740 | 605 |
| Liabilities extinguished on settlement | | |
| **Present value of obligations at 31 December** | (6,212) | (6,788) |
| | | |
| **Fair value of plan assets at 1 January** | - | - |
| Expected return on plan assets | - | - |
| Employer's contribution | - | - |
| Plan participants' contributions | - | - |
| Benefits paid by plan assets | - | - |
| Administration costs | - | - |
| New actuarial gains/(losses) | - | - |
| Assets distributed on settlements | - | - |
| Fair value of plan assets at 31 December | - | - |
| | | |
| **Net provisions at 31 December** | (6,212) | 6,788 |

The actuarial assumptions used for the long term jubilee obligation, calculated by actuaries, is a discount rate of 0,76% (2020: 0,19%) and a future compensation increase of 2.0% (2020: 2.0%) The current service cost amount to euro 381 (2020: euro 355) and the interest expense for 2021 amount to euro 12 (2020: euro 36. The actual jubilee benefits paid in 2021 amount to euro 740 (2020: euro 605). The actuarial loss and adjustment prior years amount to euro 229 gain (2020: 212 loss).

## 11. Current liabilities

Liabilities with a remaining period up to 1 year are presented under short-term liabilities.

The corporate tax is recognised as a liability euro 265 (2020: 9,255 liability) under taxes and social security contributions euro 7,022 (2020: 15,205).

The movement in the corporate tax is as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance 1 January | (9,255) | (3,608) |
| Withdrawal corporate income tax previous financial years | (1,434) | |
| Cash corporate income tax previous financial years | 10,963 | 5,042 |
| Cash corporate income tax current financial year | 6,316 | - |
| Corporate income tax current financial year | (6,855) | (10,689) |
| **Balance 31 December** | **(265)** | **(9,255)** |

**Overdraft facilities**
The Group has no overdraft facilities available (2020: euro 0). The credit facilities are secured by Thales S.A.

## Commitments

(All amounts in thousands of euro)

**Purchase commitments**
At the balance sheet date the Group has entered into short-term purchase commitments for assets to an amount of euro 319,428 (2020: euro 96,591). The short-term portion of these commitments amounts to euro 114,010, an amount of euro 136,705 exceeds within 5 years and an amount of euro 68,713 exceeds after 5 years.

**Rent and operating leases**
The commitments in connection with rent and lease agreements of real estate and vehicles amount to euro 4,551 (2020: euro 6,444). The short-term portion of these commitments amounts to euro 1,940 (2020: euro 2,143), an amount of euro 2,611 exceeds within 5 years (2020: euro 4,301) and an amount of euro 0 exceeds after 5 years (2020: euro 0). The lease agreements contains the lease duration but no specific requirements. In 2021 the lease expenses amounts to euro 2,133.

**Guarantees**
At year-end, the Group has issued guarantees on behalf of third parties to an amount of euro 359,215 (2020: euro 390,198). The total facility amounts euro 617,271 (2020: euro 655.749). Furthermore, Thales S.A. has issued guarantees on behalf of the Group's customers amounting to euro 63,049 (2020: euro 46,179). Certainties are set by Thales S.A.

**Contingent liabilities**
In the ordinary course of business the Group is incidentally faced with legal procedures. Where the outcome of these litigations can reliably be estimated a liability has been recognized at 31 December 2021. If the Group is of the opinion that the outcome of these litigations cannot be reliably estimated, no liability will be recognized at 31 December 2021.

The Group is also partner in V.o.f. Thales Unica of Huizen and is jointly and severally liable for all the debts of the general partnership.

The Group has received a claim for a very old Naval project. No liability exists as the claim has no merit from a legal point of view. A provision has been taken for the costs of a potential arbitration process.

**Offset commitments**
In the ordinary course of business the Group committed itself to fulfill offset obligations for certain export contracts.

**Forward currency contracts**
The Group had forward currency contracts outstanding at the balance sheet date with a fair value of euro 8,480 credit (2020: euro 3,045 debit). These contracts serve to hedge future sales or purchases mainly in 2021. The terms and conditions of the forward currency contract are in line with the terms and conditions of the sales or purchase contract.

## Subsequent events

There are no subsequent events in 2022 that give additional information about the actual financial situation per balance date.

## Notes to the consolidated statement of income

(All amounts in thousands of euro)

### 12. Net Sales

The majority of the contracts are with government entities.

**Net Sales 2021**

| Geographical composition: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| The Netherlands | 93,284 | 43,650 | 1,231 | 138,166 |
| Rest of Europe | 236,204 | - | 2,983 | 239,187 |
| Asia and Australia | 49,956 | - | - | 49,956 |
| Middle East | 31,047 | - | - | 31,047 |
| North and Latin America | 30,461 | - | 3,049 | 33,510 |
| Africa | 33,996 | - | - | 33,996 |
| | **474,949** | **43,650** | **7,264** | **525,862** |

| The timing of revenue recognition: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| At a point in time | 87,210 | 5,840 | 6,627 | 99,677 |
| Over time | 387,739 | 37,810 | 637 | 426,185 |
| | **474,949** | **43,650** | **7,264** | **525,862** |

| The composition of net sales to (non)-Affiliated companies: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| Affiliated companies | 117,630 | - | 66 | 117,696 |
| Non-Affiliated companies | 357,318 | 43,650 | 7,197 | 408,166 |
| | **474,949** | **43,650** | **7,264** | **525,862** |

**Net Sales 2020**

| Geographical composition: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| The Netherlands | 104,530 | 46,688 | 3,472 | 154,690 |
| Rest of Europe | 155,243 | - | 2,653 | 157,896 |
| Asia and Australia | 51,445 | - | - | 51,445 |
| Middle East | 25,296 | - | - | 25,296 |
| North and Latin America | 41,141 | - | 2,854 | 43,995 |
| Africa | 26,924 | - | - | 26,924 |
| | **404,580** | **46,688** | **8,979** | **460,247** |

| The timing of revenue recognition: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| At a point in time | 93,832 | 10,178 | 5,943 | 109,953 |
| Over time | 310,749 | 36,509 | 3,036 | 350,294 |
| | **404,580** | **46,688** | **8,979** | **460,247** |

| The composition of net sales to (non)-Affiliated companies: | Defence & Security | Transport | Other | Total |
|---|---|---|---|---|
| Affiliated companies | 120,104 | - | 77 | 120,181 |
| Non-Affiliated companies | 284,476 | 46,688 | 8,902 | 340,066 |
| | **404,580** | **46,688** | **8,979** | **460,247** |

At the end of 2021, the order book reached euro 3,125,359. Around 41% of this amount is expected to convert into sales within 3 years. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

| | **2021** | **2020** |
|---|---|---|
| Within one year | 521,593 | 407,164 |
| Between one and three years | 764,581 | 677,994 |
| After three years | 1,839,185 | 2,129,682 |
| | **3,125,359** | **3,214,840** |

## 13. Personnel

| | 2021 | 2020 |
|---|---|---|
| Salaries and related cost are specified as follows: | | |
| Salaries and wages | 171,691 | 156,934 |
| Social security cost | 22,727 | 21,959 |
| Pension cost | 19,360 | 17,664 |
| Total personnel cost | **213,778** | **196,557** |

| The average number of personnel (FTE) during the year 2021 was 2,129 (2020: 1,964) all employed in the Netherlands and employed in the following functional areas: | 2021 | 2020 |
|---|---|---|
| Support Functions | 289 | 267 |
| Operational Functions (engineering, manufacturing, projects, sales) | 1,840 | 1,567 |
| | **2,129** | **1,964** |

## 14. Research and technology costs

Research and technology costs are recognized in the income statement for an amount of euro 21,086. (2020: euro 20,085).

**Share-based payments**

Thales S.A. regularly grants its employees purchase and subscription options, within the framework of its usual policy of management performance of the Group's employees. Starting from 2011 the costs associated with the options/shares plans, are charged from Thales S.A. to Thales Nederland B.V. For 2021 these costs amount to euro 1,023 (2020: euro 401). For further details regarding these plans, reference is made to the Annual Report 2021 of Thales S.A.

**Remuneration of members of the Supervisory Board and the Board of Management**

In 2021 two members of the Supervisory Board received a remuneration, the total remuneration paid to the Supervisory Board in 2021 amounts to euro 32 (2019: euro 27). Three members are not entitled to remuneration. In accordance with Article 2:383 of The Dutch Civil Code the remuneration of the only statutory director in 2021 is not disclosed.

**Remuneration of Auditors**

In accordance with Article 2:382a of The Dutch Civil Code the remuneration of the auditors is not presented. The remuneration of auditors is presented in the Annual Report 2021 of Thales S.A.

## 15. Gain/(loss) on disposal of non-operating assets

The Result on disposal is specified as follows:

| | 2021 | 2020 |
|---|---|---|
| Gain on disposal tangible fixed assets | - | (259) |
| Loss on disposal tangible fixed assets | 91 | - |
| | **91** | **(259)** |

## 16. Financial income and expenses

The composition of financial income and expenses is as follows:

| | 2021 | 2020 |
|---|---|---|
| Interest cost of employee benefits | (12) | (56) |
| Expected return on plan assets | - | - |
| Interest income | 0 | 8 |
| Interest expenses | (1) | (3) |
| Currency exchange result | 2,659 | (543) |
| Other financial items | 164 | (245) |
| | **2,810** | **(840)** |

An amount of euro 0 (2020: euro 4 received) paid to the parent company is included in the interest income.

## 17. Tax on result

The tax on result can be specified as follows:

| | 2021 | 2020 |
|---|---|---|
| Result before tax | 32,104 | 55,630 |
| Deferred corporate income tax | (1,170) | (235) |
| Corporate income tax current financial year | 6,855 | 10,689 |
| Corporate income tax previous financial years | 1,547 | - |
| **Tax on result** | **7,232** | **10,454** |

**Effective Tax Rate**

The effective tax rate of 21.35% (6,855 euro/ 32,104 euro), differs from the nominal tax rate of 25.0%. Differences are mainly related to the permanent differences. The results from innovative activities are charged at a lower tax rate.

Analysis difference between effective and nominal tax rate

| Description | 2021 % | | 2020 % | |
|---|---|---|---|---|
| Innovationbox | 5.60 | 1,798 | 5.61 | 3,122 |
| Non dedutible costs | -1.95 | -627 | 0.60 | 332 |
| Application of participation exemption: gain on sale of participation | 0.00 | - | 0.00 | - |
| | **3.65** | **1,171** | **6.21** | **3,454** |

In 2021 the Company and the Dutch Tax Authorities have concluded upon a new IP Box agreement in which a specific part of the income is taxed at a reduced rate because it is related to innovative activities. The new agreement replaces the old agreement and applies to the fiscal years 2017-2024.

Hengelo OV, The Netherlands, 11 May 2022

Mr. G.J. Edelijn
*Chairman*

## Company annual accounts

# Company balance sheet as at 31 December 2021

(Before appropriation of net income) (All amounts in thousands of euro)

| **Assets** | **2021** | **2020** |
|---|---|---|
| **Fixed assets:** | | |
| Intangible fixed assets [18.] | 1,552 | 1,581 |
| Tangible fixed assets [19.] | 19,439 | 17,784 |
| Financial fixed assets [20.] | 17,904 | 11,980 |
| Deferred tax assets [4.] | 90 | 163 |
| **Total fixed assets** | **38,985** | **31,507** |
| **Current assets:** | | |
| Inventory: | | |
| Raw materials and supplies | 53,304 | 45,106 |
| Work in process and components | 106,520 | 65,295 |
| Prepaid on inventory | 6,008 | 7,502 |
| | 165,832 | 117,903 |
| Contract assets | 121,176 | 80,588 |
| Receivables: | | |
| Trade accounts receivable | 9,270 | 41,909 |
| Affiliated companies | 484,109 | 399,314 |
| Participations | 38,219 | 43,689 |
| Taxes and social security contributions | 897 | (10,787) |
| Other receivables and prepaid expenses | 8,210 | 7,858 |
| | 540,705 | 481,983 |
| Cash and cash equivalents | 3,700 | 2,477 |
| **Total current assets** | **831,413** | **682,951** |
| **Total assets** | **870,398** | **714,458** |

# Company balance sheet as at 31 December 2021

(Before appropriation of net income) (All amounts in thousands of euro)

| Shareholders' equity and liabilities | 2021 | 2020 |
|---|---|---|
| **Shareholders' equity:** [21.] | | |
| Issued and paid-in capital | 29,510 | 29,510 |
| Additional paid-in capital | 58,809 | 58,809 |
| Currency translation reserve | (5,158) | (4,140) |
| Accumulated gain / (deficit) | 257,397 | 211,637 |
| Undistributed result | 24,872 | 45,175 |
| **Total shareholders' equity** | **365,430** | **340,991** |
| **Provisions:** [22.] | | |
| Employee benefits | 5,931 | 6,487 |
| Accrued contract costs | 34,285 | 29,889 |
| Warranty | 12,624 | 10,632 |
| Subsidiaries | 6,413 | 5,355 |
| Deferred tax liabilities | 772 | 2,129 |
| Other provisions | 2,527 | 2,633 |
| **Total provisions** | **62,552** | **57,125** |
| **Current liabilities:** | | |
| Suppliers and commercial credits | 18,099 | 21,626 |
| Contract liabilities | 333,454 | 225,625 |
| Affiliated companies | 17,836 | 11,476 |
| Participations | - | - |
| Taxes and social security contributions | 7,025 | 15,152 |
| Other debts and accrued liabilities | 66,002 | 42,463 |
| **Total current liabilities** | **442,416** | **316,343** |
| **Total shareholders' equity and liabilities** | **870,398** | **714,458** |

## Company statement of income for 2021

(All amounts in thousands of euro)

| | 2021 | 2020 |
|---|---|---|
| Income after taxes | 20,797 | 45,108 |
| Profit / (Loss) from subsidiaries after taxes | 4,075 | 67 |
| **Net income** | **24,872** | **45,175** |

# Notes to the company annual accounts 2021

(All amounts in thousands of euro)

## General

Thales Nederland B.V. ("the Company") is engaged in the development, manufacturing and marketing of high-grade technical radar-, communication-, control-, information- and fire control systems for defense purposes.

The Company was established on 22 December 1989. From 31 December 1991, 99% of the shares are held by Thales S.A. and 1% of the shares by the Dutch Government. In 2000 the company changed its name to Thales Nederland B.V.

In accordance with Article 2:402 of The Dutch Civil Code the Statement of Income is presented in abbreviated form.

**Fiscal unity**
For corporate income tax and value added tax purposes Thales Nederland B.V. constitutes a Dutch fiscal unity with Thales Cryogenics B.V., Thales Real Estate B.V.,Thales Transportation Systems B.V., Revenue Collection Systems B.V. and HTSP B.V.. Thales Nederland B.V. is severally liable for all entities included in the fiscal unity.

## Accounting principles

The accounting principles and the changes in accounting principle as described in the notes to the consolidated annual accounts also apply to the company's annual accounts, unless indicated otherwise.

**Financial fixed assets**
Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

If the valuation of an associate based on the net asset value is negative, it will be stated at nil. If and insofar as Thales Nederland B.V. can be held fully or partially liable for the debts of the associate, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Investments in subsidiaries in which the company has no significant influence are accounted for at their acquisition cost. Financial fixed assets are revaluated in case of any permanent impairment.

## Notes to the company balance sheet

(All amounts in thousands of euro)

### 18. Intangible fixed assets

The movement in the intangible fixed assets is as follows:

| | Software | Total |
|---|---|---|
| Historical costs 1 January 2021 | 6,903 | 6,903 |
| Accumulated amortization / depreciation 1 January 2021 | (5,323) | (5,323) |
| Book value 1 January 2021 | 1,581 | 1,581 |
| Transfers | 698 | 698 |
| Additions | - | - |
| Disposals (net) | - | - |
| Amortization / Depreciation | (727) | (727) |
| **Book value 31 December 2021** | **1,552** | **1,552** |
| Historical costs 1 January 2021 | 6,918 | 6,918 |
| Accumulated amortization / depreciation 1 January 2021 | (5,367) | (5,367) |
| **Book value 31 December 2021** | **1,552** | **1,552** |

### 19. Tangible fixed assets

The movement in tangible fixed assets is as follows:

| | Land and buildings | Machinery and equipment | Other tangible fixed assets | Assets under construction | Total |
|---|---|---|---|---|---|
| Book value 1 January 2021 | 4,231 | 4,675 | 8,117 | 761 | 17,783 |
| Additions | - | - | - | 7,562 | 7,562 |
| Transfers | 521 | 684 | 3,858 | (5,762) | (698) |
| Impairment | - | - | - | - | - |
| Disposals (net) | - | - | - | - | - |
| Depreciation | (787) | (1,099) | (3,323) | - | (5,209) |
| **Book value 31 December 2021** | **3,964** | **4,260** | **8,652** | **2,561** | **19,438** |
| The composition as of 31 December 2021 is as follows: | | | | | |
| Historical costs | 17,201 | 30,321 | 44,187 | 2,562 | 94,270 |
| Accumulated depreciation | (13,236) | (26,061) | (35,535) | - | (74,832) |
| **Book value 31 December 2021** | **3,965** | **4,260** | **8,652** | **2,562** | **19,439** |

## 20. Financial fixed assets

The movement in financial fixed assets is as follows:

| | 2021 | 2020 |
|---|---|---|
| Investments in subsidiaries | | |
| Balance 1 January | 11,980 | 11,434 |
| Income from subsidiaries | 5,133 | 546 |
| Revaluations | - | - |
| Balance 31 December | 17,113 | 11,980 |
| Investments in associates | | |
| Balance 1 January | - | - |
| Income from associates | - | - |
| Disposals (net) | - | - |
| Revaluations | - | - |
| Balance 31 December | - | - |
| Other financial fixed assets | | |
| Balance 1 January | - | - |
| Redemption | - | - |
| Interest amortization | - | - |
| Addition | 791 | - |
| Balance 31 December | 791 | - |
| **Balance 31 December** | **17,904** | **11,980** |

Income from subsidiaries euro 5,133 minus income from subsidiaries reported under provisions euro 1,058 is euro 4,075 profit from subsidiaries according company statement of income.

## 21. Shareholders' equity

The movement in the shareholders' equity is as follows:

| | Issued and paid-in capital | Additional paid-in capital | Currency translation reserve | Retained earnings/ Acc.deficit | Undistri-buted result | Total |
|---|---|---|---|---|---|---|
| Balance 1 January 2021 | 29,510 | 58,809 | (4,140) | 211,637 | 45,175 | 340,991 |
| Exchange differences | - | - | (1,018) | - | - | (1,018) |
| Re-measurement pensions | - | - | - | 585 | (585) | (0) |
| Transfer undistributed profit | - | - | - | 45,175 | (44,590) | 585 |
| Net income for the year | - | - | - | - | 24,872 | 24,872 |
| **Balance 31 December 2021** | **29,510** | **58,809** | **(5,158)** | **257,397** | **24,872** | **365,430** |

| | Issued and paid-in capital | Additional paid-in capital | Currency translation reserve | Retained earnings/ Acc.deficit | Undistri-buted result | Total |
|---|---|---|---|---|---|---|
| Balance 1 January 2020 | 29,510 | 58,809 | (4,553) | 172,522 | 38,699 | 294,987 |
| Exchange differences | - | - | 413 | - | - | 413 |
| Re-measurement pensions | - | - | - | 416 | - | 416 |
| Transfer undistributed profit | - | - | - | 38,699 | (38,699) | - |
| Net income for the year | - | - | - | - | 45,175 | 45,175 |
| **Balance 31 December 2020** | **29,510** | **58,809** | **(4,140)** | **211,637** | **45,175** | **340,991** |

Shares issued are fully paid in cash. The issued share capital at 31 December 2021 comprised 29,510,000 shares of euro 1 each, all of which are fully paid. The authorized share capital of the Company at 31 December 2021 amounts to euro 29,510.The currency translation reserve is regarding the exchange differences arising from the translation of the foreign subsidiaries and participations.

**Proposed appropriation of net income**

Management proposes the Annual General Meeting of Shareholders to pay out the net income for the year 2021 as a dividend.

## 22. Provisions

For details and movement regarding the provision for employee benefits we refer to Note 9.

The movements in the other provisions are as follows:

| | Accrued Contract Cost | Warranty | Subsidiaries | Deferred tax liabilities | Other provisions |
|---|---|---|---|---|---|
| Balance 1 January 2021 | 29,888 | 10,632 | 5,355 | 2,129 | 2,633 |
| Additions | 13,879 | 15,905 | - | - | - |
| Income from subsidiaries | - | - | 1,058 | - | - |
| Release | - | - | - | - | - |
| Usage | (9,482) | (13,913) | - | (1,357) | (106) |
| **Balance 31 December 2021** | **34,285** | **12,624** | **6,413** | **772** | **2,527** |
| The split between the long-term and short-term portion is as follows: | | | | | |
| Long-term portion | - | 6,312 | 6,413 | 772 | 2,527 |
| Short-term portion | 34,285 | 6,312 | - | - | - |
| **Balance 31 December 2021** | **34,285** | **12,624** | **6,413** | **772** | **2,527** |

The provision accrued contract costs is built up as follows:

| | **2021** | **2020** |
|---|---|---|
| Provision for loss-making orders | 2,305 | 1,502 |
| Provision for other contracts costs | 20,075 | 17,482 |
| Provision OSM | 4,157 | 4,399 |
| Provision Offset Obligations | 7,748 | 6,505 |
| **Net provisions at 31 December** | **34,285** | **29,889** |

## Guarantees

The Company issued liability declarations on behalf of its direct and indirect fully owned Dutch subsidiaries Thales Cryogenics B.V., Thales Real Estate B.V., Thales Transportation Systems B.V., Revenue Collection Systems Netherlands B.V. and HTSP B.V. in accordance with Article 2:403, paragraph 1 sub f of the Dutch Civil Code. As a result the Company is jointly and severally liable for debts entered into by these Dutch subsidiaries.

Hengelo OV, The Netherlands, 11 May 2022
Mr. G.J. Edelijn
*Chairman*

# Other information

## Articles of association governing profit appropriation

The Articles of Association of the Company provide that the appropriation of the net income for the year is decided upon the Annual General Meeting of Shareholders.

To: Thales Nederland B.V.

## Independent auditor’s report

We refer to the hereinafter independent auditors opinion.

mazars

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# Independent auditor’s report

To the shareholders and supervisory board of

Thales Nederland B.V.

## Report on the audit of the financial statements 2021 included in the annual report

### Our opinion

We have audited the 2021 financial statements of Thales Nederland B.V., based in Hengelo.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Thales Nederland as at 31 December 2021, and of its result for 2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2021;
2. the consolidated and company statement of income for 2021; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ‘Our responsibilities for the audit of the financial statements’ section of our report.

We are independent of Thales Nederland B.V. in accordance with the Wet toezicht accountants-organisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- supervisory board and Board of Management;
- report from the Board of Management to the Shareholders;
- report from the Board of Management;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report from the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Description of responsibilities regarding the financial statements

**Responsibilities of management and the supervisory board for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

**Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Rotterdam, 23 May 2022

Mazars Accountants N.V.

Original has been signed by: drs. J.J.W. Galas RA

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# Board of Management

## Board of Management

Mr. G.J. Edelijn
*Chairman*

## Colofon

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