

2023 Financial Statements

TNO innovation
for life

2023 Financial Statements

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Consolidated balance sheet as of 31 December 2023

(in thousands of euros)

After profit appropriation

	Note	31-12-2023	31-12-2022
Fixed assets			
Intangible assets	<u>1</u>	2,000	2,470
Property, plant and equipment	<u>2</u>	241,924	233,392
Financial assets	<u>3</u>	22,050	16,857
		265,974	252,719
Current assets			
Inventories		212	243
Receivables	<u>4</u>	134,490	123,439
Cash and cash equivalents	<u>5</u>	350,176	352,176
		484,878	475,858
Total		750,852	728,577

	Note	31-12-2023	31-12-2022
Group equity			
General reserve	<u>6</u>	344,083	329,526
Statutory reserve	<u>7</u>	9,475	6,198
Special reserves	<u>8</u>	37,605	39,073
		391,163	374,797
Minority interest		-45	-
Provisions	<u>9</u>	13,230	15,087
Long-term liabilities	<u>10</u>	41,549	45,896
Current liabilities	<u>11</u>	304,955	292,797
Total		750,852	728,577

Consolidated income statement 2023

(in thousands of euros)

	Note	2023	2022
Revenue	<u>12</u>	687,798	590,704
Other operating income	<u>13</u>	14,617	17,327
Total operating income		702,415	608,031
Direct project costs	<u>14</u>	-79,463	-72,474
Personnel expenses	<u>15</u>	-454,984	-392,617
Amortisation intangible assets		-470	-471
Depreciation	<u>16</u>	-25,256	-23,302
Impairment losses property, plant and equipment	<u>16</u>	-419	-1,113
Other operating expenses	<u>17</u>	-132,326	-120,314
Total operating expenses		-692,918	-610,291
Operating profit (loss)		9,497	-2,260
Finance income and expenses	<u>18</u>	8,969	377
Profit (loss) from ordinary activities before tax		18,466	-1,883
Corporation tax	<u>19</u>	-4,613	1,080
Share of profit (loss) of participating interests	<u>20</u>	2,468	1,296
Profit (loss) from ordinary activities after tax		16,321	493
Minority interest		45	-
Net profit (loss)		16,366	493

Profit appropriation

	Note	2023	2022
Net profit (loss)		16,366	493
Addition to:			
- special reserve for construction of new defence buildings		-9,999	-6,915
		-9,999	-6,915
Withdrawal from:			
- statutory reserve		-3,277	-872
- special reserve for construction of new defence buildings		11,467	9,664
		8,190	8,792
Profit (loss) after changes in special reserves		14,557	2,370
Change in general reserve		-14,557	-2,370
		-	-

Consolidated cash flow statement

(in thousands of euros)

	2023	2022
Operating profit (loss)	9,497	-2,260
Amortisation	470	471
Depreciation	25,675	24,415
Gain (loss) on disposal of fixed assets	-	5,926
Change in provisions	-1,857	340
Change in working capital, excl. cash and cash equivalents	5,996	12,700
Cash flow from business operations	39,781	41,592
Interest received	7,359	212
Dividends received	100	750
Interest paid	-1	-1,550
Corporation tax	-2,502	-5,874
Cash flow from operating activities	44,737	35,130
Investments in property, plant and equipment	-44,638	-51,974
Investments in financial assets	-3,350	-2,436
Disposals of property, plant and equipment	1,069	-1,969
Movement in minority interest	-45	-
Disposal of participating interests	218	93
Repayments received	10	150
Cash flow from investing activities	-46,736	-56,136
Loans drawn	551	-
Repayments on loans	-572	-450
Cash flow from financing activities	-21	-450
Cash flow for financial year	-2,020	-21,456
Cash and cash equivalents as of 1 January	352,176	373,612
Cash flow for financial year	-2,020	-21,456
Exchange differences	20	20
Cash and cash equivalents as of 31 December	350,176	352,176

Statement of comprehensive income 2023

(in thousands of euros)

	2023	2022
Consolidated net profit (loss) after tax	16,366	493
Comprehensive income	16,366	493

Notes to the 2023 consolidated financial statements

Accounting policies

1.1 General

TNO's mission is to create impactful innovations for the sustainable well-being and prosperity of society.

Name: Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek TNO ('TNO').

Legal form: public corporate body with statutory task.

Chamber of Commerce no.: 27376655

TNO has its registered office in Delft, the Netherlands.

Reporting period

These financial statements have been prepared for a reporting period of one calendar year.

Basis of preparation

The financial statements of TNO are prepared in accordance with the TNO Guidelines for Financial Reporting issued by the Ministry of Education, Culture and Science.

The TNO Guidelines for Financial Reporting are based on the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. A supplementary order issued by the Ministry of Education, Culture and Science by means of a letter dated 21 February 2014 with reference OWB/FO/2004/8195 exempts TNO from the provisions of Dutch Accounting Standard 271 'Employee benefits'. Specifically, the provisions relating to pensions are declared not applicable. TNO does form an obligation for holiday pay and holidays, as well as a provision for jubilee benefits.

The accounting policies that are applied for the valuation of assets and liabilities and the determination of profits or losses are based on the historical cost convention. For the implementation of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen in de (semi) publieke sector (WNT)), TNO has complied with the policy rules on the application of this Act, which set the standards for the preparation of these financial statements.

Comparative figures

Where necessary, the comparative figures for 2022 have been reclassified to improve comparability with the figures for 2023.

These financial statements have been prepared based on the going concern assumption.

Correction of error

Since the amendment of RJ 221 last year, the balance of all projects in progress must be broken down into a debit and credit balance at the level of the individual project. TNO has adjusted this presentation in the 2022 financial statements and adjusted both the projects in progress balance as of 31 December 2022 and the comparative figures to a separate debit and credit position in the balance sheet. During the preparation of the 2023 financial statements, it was noted that this breakdown for the 2022 financial statements was incorrect. This error has been corrected in the 2023 financial statements and the comparative figures for 2022 have been adjusted. The adjustment is as follows:

	Financial statements 2022	Corrected	Difference
Total projects in progress	-68,013	-68,013	-
Of which recognised under current receivables	114,637	63,144	-51,493
Of which recognised under current liabilities	-182,650	-131,157	51,493

Application of the above error correction has no consequences for the size of the assets as of 31 December 2022 and the result for 2022. The error correction also has no consequences for the size of the assets as of 31 December 2023 and the result for 2023.

1.2 Accounting policies

Unless stated otherwise, assets and liabilities are stated at historical cost.

An asset is recognised in the balance sheet when it is probable that the future economic benefits associated with the asset will flow to TNO and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is probable that its settlement will result in an outflow of resources embodying economic benefits and the amount at which the settlement will take place can be measured reliably.

An asset or liability is derecognised from the balance sheet when a transaction results in the transfer of all or substantially all future economic benefits and all or substantially all risks associated with an asset or a liability to a third party. Furthermore, assets and liabilities are derecognised from the date on which they no longer meet the criteria regarding the probability of the future economic benefits or the reliability of their measurement.

Notes to the 2023 consolidated financial statements

Income is recognised in the income statement in the event of an increase of the economic potential associated with an increase in an asset or a reduction of an obligation, the size of which can be reliably determined. Expenses are recognised when a decrease in future economic benefits related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are allocated to the period to which they relate.

The financial statements are presented in euros, TNO's functional currency. All financial information in euros has been rounded to the nearest thousand.

1.3 Consolidation principles

The consolidated financial statements include the financial data of TNO, its group companies and other legal entities over which TNO can exercise control or which are under its centralised management. Group companies are participating interests in which the company has a majority interest, or in which decisive influence can be exercised in another way. Financial instruments containing voting rights that have economic significance are also taken into account.

Interests held exclusively with a view to resale are not consolidated if there was already an intention to sell the interest at the time of its acquisition, it is probable that the interest will be sold within a year and the other relevant indicators are met. These assets are recognised under current assets, as part of securities (held exclusively for resale). Newly acquired participating interests are consolidated from the date on which significant influence can be exercised over their business and financial policy.

The items in the consolidated financial statements are prepared in accordance with uniform accounting principles of the group.

Participating interests that have been sold are consolidated up to the date on which significant influence can be no longer exercised over their business and financial policy.

In preparing the consolidated financial statements, intra-group shareholdings, debts, receivables and transactions are eliminated. The group companies are consolidated in full and the minority interest is disclosed separately.

Where losses attributable to the minority interest exceed the minority interest in the equity of the consolidated company, this excess and any further losses are charged in full to the majority shareholder. The minority interest is disclosed separately as the final line item in the consolidated income statement and deducted from the group profit (loss).

A list of the consolidated group companies and non-consolidated participating interests is included in the notes to the company financial statements.

1.4 Principles for the translation of foreign currency

Foreign currency transactions

Transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency on the balance sheet date at the exchange rate applying at that date. Currency translation gains and losses are taken to the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into euros at the exchange rate applying at the reporting date. Income and expenses of foreign operations are translated into euros at the average exchange rate for the reporting period, which is a good approximation of recognition based on the exchange rate applying on the transaction date.

Translation gains and losses are taken to the foreign currency translation reserve. When a foreign operation is sold in whole or in part, the relevant amount in the reserve for translation differences is transferred to the income statement.

1.5 Financial instruments

Financial instruments include (other) receivables, cash, loans and borrowings and trade and other payables.

Financial instruments are initially recognised at fair value, which includes the share premium or discount and directly attributable transaction costs. If subsequent to initial their recognition, instruments are not measured at fair value through profit or loss, then any directly attributable transaction costs are included in the initial measurement.

Embedded financial instruments which are not separated from the host contract are recognised in accordance with the host contract.

Notes to the 2023 consolidated financial statements

Subsequent to initial recognition, financial instruments are measured in the manner described below.

Loans granted, (other) receivables, loans drawn and trade and other payables.

These financial instruments are measured at amortised cost on the basis of the effective interest method.

The effect of discounting is generally insignificant for current receivables and payables with short maturities for which no explicit interest is calculated. The amortised cost of these items is therefore deemed to consist of their nominal value.

Where necessary, the value of loans granted and (other) receivables is adjusted for impairment losses.

Deferred tax assets are stated at present value.

Long-term loans drawn are stated are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost.

Derivatives

Derivatives are stated at cost or lower market value, except if hedge accounting under the cost price hedge accounting model is applied.

TNO makes limited use of forward exchange transactions to hedge foreign exchange risks arising from purchasing and selling transactions. If foreign exchange contracts are concluded to hedge monetary assets and liabilities, cost price hedge accounting is applied. Hedge accounting is applied to ensure that the results recognised in the income statement as a result of the conversion of monetary items are compensated value changes of foreign exchange contracts at the spot rate on the reporting date. The difference between the spot rate of the forward exchange contract at the date of inception and its forward rate is amortised over the term of the forward exchange contract and taken to the income statement.

When cost price hedge accounting is applied, derivatives are measured at fair value upon initial recognition. Derivatives are not remeasured as long as the derivative hedges the specific risk of an expected future transaction. As soon as the expected future transaction leads to the recognition of value changes in the income statement, the gain or loss associated with the derivative is recognised in the income statement. When the hedged item relating to an expected future leads to the recognition of a non-financial asset,

TNO adjusts the cost price of this asset by offsetting it against the hedging gains and losses that had not been recognised in the income statement yet.

If a derivative instrument expires or is sold, the hedging relationships are terminated. The cumulative gain or loss that has not yet been recognised in the income statement is recognised as an accrued or deferred item in the balance sheet until the hedged transactions occur. If the transactions are no longer expected to occur, the cumulative gain or loss is transferred to the income statement.

TNO documents its hedge relationships in specific hedge documentation and regularly reviews the effectiveness of the hedge relationships by establishing whether the hedges are effective and that there are no overhedged.

1.6 Intangible assets

Goodwill represents the excess of the cost of acquisition of the participating interests over TNO's interest in the net fair value of the assets acquired and the liabilities assumed from the acquiree, less accumulated amortisation, depreciation and any impairment losses. Goodwill is amortised over the expected useful life of the acquired participating interest.

The other intangible assets relate to development costs. They are capitalised insofar as they relate to projects deemed commercially feasible. The development of an intangible asset is considered to be commercially feasible if the completion of the asset is technically feasible, TNO intends to complete the asset and then to use or sell it (and there are also adequate technical, financial and other resources available to achieve this), TNO has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits and the expenses incurred during the development phase can be determined reliably. Development costs are stated at production cost, less accumulated amortisation and any impairment losses. These costs mainly comprise the salary costs of the relevant employees and the cost of obtaining external expertise, including fees paid to third parties for research and development, licence rights and software programs. Upon termination of the development stage, the capitalised costs are amortised over the expected useful life of the asset, which in principle does not exceed five years, using the straight-line method. A statutory reserve is formed for the part of the capitalised development costs that has not yet been amortised.

1.7 Property, plant and equipment

Items of property, plant and equipment intended for TNO's own use are stated at cost of acquisition or, if they have been constructed by TNO itself, at cost of manufacture, less accumulated depreciation and any accumulated impairment losses plus any costs

Notes to the 2023 consolidated financial statements

incurred to bring the asset to its ultimate location. No interest expenses have been included in the cost of acquisition of items of property, plant and equipment. Subsequent expenditures that meet the capitalisation criteria are recognised as part of the cost price of tangible fixed assets.

Depreciation is calculated as a percentage of the cost of acquisition according to the straight-line method on the basis of the asset's useful life. Land, assets under construction and prepayments on assets are not depreciated. When changes occur with respect to the expected depreciation method, useful life and/or residual value, such changes are accounted for as a change in estimates.

When costs are incurred due to an obligation relating to the dismantling and removal of an asset and the restoration of the site where the asset is located, and this obligation is the result of the fact that TNO has put the asset in place on the site, these restoration costs are included in the carrying amount of the asset and a provision for the same amount is recognised simultaneously. Decommissioned items of property, plant and equipment are measured at their carrying amount or lower fair value less costs to sell. Items of property, plant and equipment are derecognised following their disposal or if no future economic benefits are expected to arise from their use or disposal. The income or expense arising from the disposal is recognised in the income statement.

1.8 Financial assets

Non-consolidated participating interests in which the group exercises significant influence on the business and financial policy are valued using the equity method. In assessing whether TNO can exercise significant influence over the entity's operational and financial policy, financial instruments containing voting rights that have economic significance are taken into account. In accordance with the equity method, the participating interests are recognised in the balance sheet at the group's share of the net asset value of these entities. The following is added to the net asset value of the group's participating interests in these entities: its share in the direct changes in the equity of the participating interest from the moment of acquisition, determined in accordance with the principles stated in these financial statements and less its share in the dividend payments of the participating interests.

The group's share of the profits or losses of these entities is recognised in the income statement under 'Share or profit (loss) of participating interests'. Where TNO cannot effect the unlimited payment of dividends to TNO in respect of profits of these entities, TNO's share of these profits is added to a statutory reserve. The group's share of the direct

increases and decreases in the equity of the entities in which it has a participating interest is also recognised in this statutory reserve.

Following the application of the equity method, the group determines whether it needs to recognise impairment losses for any of its participating interests. As of each balance sheet date, the group assesses whether there are objective indications that a participating interest may have been impaired. If that is the case, the group recognises an impairment loss for the amount by which the carrying amount of the participating interest exceeds its recoverable amount. This impairment loss is recognised in the income statement.

If the value of a participating interest according to the equity method has become nil, this method is no longer applied and the participating interest continues to be measured at nil as long as the circumstances do not change. To this end, any other long-term interests of the group in the entity in which it has participating interests that effectively qualify as a part of the group's net investment are also included in the measurement. A provision is recognised if and to the extent that the group guarantees the debts of the entity in which it has a participating interest or has a constructive obligation to enable the entity to pay its debts.

Any share of the entity's profit subsequently acquired is recognised only if and to the extent that the group's cumulative unrecognised share of the entity's loss has been made good.

Participating interests where no significant influence can be exercised over the entity's operational and financial policy are measured at cost of acquisition less any impairment losses. Dividends qualify as profit and are recognised under finance income and expenses.

Profits or losses on transactions with and between entities in which the group has a non-consolidated participating interest measured at net asset value are recognised proportionally. Profits or losses on transactions with and between entities in which the group has a non-consolidated participating interest measured at cost are recognised in full, except if they have in effect not been realised.

Loans to entities in which the group has a non-consolidated participating interest are stated at amortised cost using the effective interest method, less any impairment losses.

Dividends are accounted for in the period in which they are declared. Interest income is recognised in the period to which it relates, using the effective interest rate method. Any gains or losses are recognised under finance income and expenses.

Notes to the 2023 consolidated financial statements

1.9 Impairment losses

As of each balance sheet date, the group assesses whether a non-financial asset or a group of non-financial assets may have been impaired. At each balance sheet date, the group assesses whether there are indications that a fixed asset may have been impaired. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the highest of the fair value and the value in use. An impairment loss is accounted for by recognising it directly in the income statement as an expense and simultaneously reducing the carrying amount of the relevant asset.

The asset's fair value less costs to sell is determined initially on the basis of a binding sales agreement. If there is no such agreement but a similar asset is traded in an active market, the fair value less costs to sell is determined based on the market price in this active market, which is usually the current bid price. If there is no such active market, the fair value less costs to sell is determined based on generally accepted valuation models. The results of these models are verified on the basis of a multiple of the profit, quoted prices of listed companies and other available fair value indicators. The costs to be deducted in determining the fair value less costs to sell are based on the estimated costs that are directly attributable to the sale or which are necessary to realise the sale.

To determine the value in use, the future net cash flows that would be derived from the continued use of the asset or cash-generating unit are estimated. These cash flows are then discounted using a pre-tax discount rate that reflects the time value of money on the basis of both the market expectations and the specific risks for the asset. The discount rate does not reflect any risks which have already been taken into account in determining the future cash flows.

As of each balance sheet date, the group assesses whether are indications that an impairment loss recognised previously for a fixed asset may no longer exist or may have decreased. If there are such indications, the recoverable amount of the asset or the cash-generating unit to which the asset belongs is determined. A previously recognised impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised.

If it is determined that a previously recognised impairment loss no longer exists or has decreased, the increased carrying amount of the relevant asset attributable to the reversal of the impairment loss will not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the asset. An impairment loss recognised for goodwill is not reversed.

1.10 Inventories

Raw materials and consumables are stated at their cost of acquisition or lower net realisable value. The valuation of the inventories takes into account any impairment losses that may have arisen as of the balance sheet date.

1.11 Projects in progress

Projects in progress concern projects carried out under contracts. Included in the valuation of projects in progress are the costs that relate directly to the relevant contract (for example, personnel costs for employees whose activities relate directly to the contract and costs of raw materials and consumables), the costs that are attributable to contract activities in general and can be allocated to the relevant contract, and other costs chargeable to the client under the terms of the contract. Expenditures related to project costs that will lead to the completion of required deliverables after the balance sheet date are capitalised if it is probable that they will lead to revenue in a subsequent period. Where necessary, a provision for expected losses is deducted from projects in progress. Amounts billed in advance are deducted from projects in progress.

1.12 Receivables

The principles applied for the valuation of receivables are described under the heading 'Financial instruments'.

1.13 Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. Where cash and cash equivalents are not at TNO's free disposal, this is reflected in their valuation.

Cash and cash equivalents denominated in foreign currency are translated at the balance sheet into the relevant functional currency at the exchange rate applying at that date. For further information, see the accounting principles for the costing of foreign currency transactions.

Notes to the 2023 consolidated financial statements

1.14 Equity

Financial instruments that qualify as equity instruments by virtue of their economic substance are presented under equity.

Financial instruments that qualify as financial liabilities by virtue of their economic substance are presented under liabilities. Gains, losses, income and expenses with respect to these financial instruments are recognised in the income statement as finance income or expenses.

Statutory reserves

The statutory reserve concerns non-distributable profits from participating interests measured at net asset value.

Special reserves

In accordance with Section 22 of the TNO Act and Section 4 and 5 of the TNO Guidelines for Financial Reporting, special reserves may be formed to allow for future expenditures or costs, or to cover economic and technical risks. Withdrawals are charged to the special reserves as part of the appropriation of the profit (loss) for the year, provided they are in accordance with the special purposes of these reserves.

The special reserve for 'civil operating risks' is formed to cover economic and technical risks. Until the maximum amount of this special reserve has been reached, TNO's Board of Management annually adds a percentage of the funding and contracts from both the government and third parties to the reserve as part of the appropriation of the profit (loss) for the year. A maximum amount of € 9.1 million was agreed with the government.

The special reserve for construction related to defence research has been created to cover future investments in renovation and/or construction projects. Additions to and withdrawals from this reserve are made annually during the appropriation of the profit (loss) on the basis of specific agreements with the Council for Defence Research (RDO).

1.15 Minority interest

The minority interest concerns the minority interest of third parties in entities in which TNO has a consolidated participating interest measured at net asset value. The minority interest is measured in accordance with TNO's accounting policies.

1.16 Provisions

A provision is recognised in the balance sheet when:

- TNO has a present legal or constructive obligation as a result of a past event; and
- the amount can be estimated reliably; and
- if it is probable that an outflow of economic benefits will be required to settle the obligation.

Unless stated otherwise, provisions are stated at present value, which is determined by using the relevant discount rate that reflects the current market interest rate.

The provision for employee and post-employment benefits has been formed to cover current benefits and agreed future benefits payable to former and current employees of TNO under TNO's terms and conditions of their employment. The portion of the provision relating to current pension benefits is based on actuarial calculations.

The jubilee provision is a provision for future jubilee benefits. The provision concerns the present value of the jubilee benefits to be paid out in the future. The provision is based on promises made, the likelihood of staff staying and age.

The provision for claims has been formed for potential liabilities arising from ongoing legal proceedings. The provision for restructurings has been formed to cover costs associated with ongoing or impending (partial or full) restructurings.

The provision for redundancies has been formed to cover the expected costs associated with the planned termination of employment contracts with employees, other than in the context of restructurings. The other provisions have been formed mainly to cover the expected costs of onerous tenancy contracts.

The most important estimated items relate to the restructuring provision, the provision for redundancies, claims and the other provisions.

Notes to the 2023 consolidated financial statements

1.17 Employee Benefits/Pensions

TNO has a number of pension schemes. The most significant pension scheme is administered by Stichting Pensioenfond TNO and qualifies as a defined benefit scheme.

An order issued by the Ministry of Education, Culture and Science exempts TNO from the provisions of Dutch Accounting Standard 271 'Employee benefits'. The basic principle is that the pension expense to be recognised in the reporting period is equal to the pension contributions payable to the pension fund for the period. To the extent that the payable contributions have not been paid as of the balance sheet date, a liability is recognised. If as of the balance sheet date, the contributions already paid exceed the contributions payable, an asset is recognised under 'Prepayments and accrued income' to account for any refund by the pension fund or settlement with future pension contributions payable.

In addition, a provision is recognised as of the balance sheet date for existing additional obligations towards the pension fund and the employees if it is probable that there will be an outflow of resources embodying economic benefits to settle the obligations and the amount of the obligations can be estimated. The existence or non-existence of additional obligations is assessed on the basis of the administration agreement with pension the pension fund, the pension agreement with the employees and other (explicit or implicit) commitments made to employees.

The provision is stated at the best estimate of the present value of the amounts expected to be required to settle the obligations at the balance sheet date.

1.18 Long-term liabilities

Grants provided by the government or third parties to compensate TNO for the investment in an asset are recognised as liabilities in the balance sheet and systematically credited to the income statement over the useful life of the asset.

1.19 Current liabilities

The valuation of current liabilities is explained in the section on financial instruments.

1.20 Revenue recognition

Revenue is defined as the total of:

- contract revenue;
- government funding.

Contract revenue comprises the amounts invoiced for work performed, less any value added tax and changes in projects in progress. Revenue is recognised for each separate performance obligation. In the event of multiple performance obligations in a contract, the total transaction price is allocated to the performance obligations in proportion to the value of the performance obligations. TNO concludes that commitments in contracts together form a performance obligation. The reason for this is that TNO has established that clients cannot independently utilise the benefits of such commitments. Revenue from contracts is recognised in the agreed period in proportion to the performances delivered. Because there is a steady flow of projects that are completed at regular intervals throughout the year, and most are completed within one year, the profits on projects in progress are recognised upon the completion of the projects.

The government funding is used to support the demand-driven programme research for Top Sectors and societal transition themes. These funds are recognised as revenue in proportion to the stage of completion of the relevant work. Direct costs are defined as the tangible costs (including costs of outsourced work) that are directly attributable to a project.

1.21 Government grants

Government grants are initially recognised in the balance sheet as deferred income when it is reasonably certain that they will be received and that TNO will comply with the conditions associated with the grant. Grants that compensate TNO for expenses incurred are systematically recognised in the income statement as revenue in the same period as in which the expenses are recognised.

For information on grants that compensate TNO for an investment in an asset, see under 'Long-term liabilities'.

1.22 Other operating income

If the result of a transaction relating to the performance of services can be reliably estimated and it is probable that revenue will be received for these services, revenue is recognised pro rata to the stage of completion of these services. Licence revenues are recognised in the income statement in accordance with the accrual basis of accounting, in accordance with the content of the agreement, if their amount is determinable and their receipt probable.

Notes to the 2023 consolidated financial statements

1.23 Share of profit (loss) of participating interests

The share of the profit (loss) of participating interests consists of TNO's share of the profits or losses of the entities in which it has a participating interest, determined on the basis of the group's accounting policies.

Gains or losses on transactions are not recognised in the consolidated income statement if they cannot be deemed to have been realised.

The profits or losses of participating interests acquired or disposed of during the financial year are included in TNO's profit (loss) for the year from the date of acquisition or until the date of disposal, respectively.

1.24 Finance income and expenses

Interest income is recognised in the period to which it relates, taking into account the effective interest rate for the relevant asset. Interest expenses and similar expenses are recognised in the period to which they relate while factoring in the effective interest rate.

1.25 Corporation tax/deferred tax assets

TNO has been subject to corporation tax on the integrated profit (loss) since the financial year of 2016.

As of 1 January 2016, when TNO first became liable for corporation tax, the opening tax balance sheet was prepared on the basis of the applicable tax accounting policies.

TNO Tech Transfer Holding BV and TNO Affiliates Holding BV and all their Dutch subsidiaries are also subject to corporation tax.

Tax comprises the current corporation tax payable or recoverable for the reporting period and deferred corporation tax. Tax is recognised in the income statement, except it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable (recoverable) in respect of the taxable profit (tax loss) for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A provision for deferred tax liabilities is recognised for taxable temporary differences between the carrying amounts for financial reporting purposes and tax bases of assets and liabilities.

Deferred tax assets are recognised for deductible temporary differences, unused tax loss carryforwards and unused tax credits, provided that it is probable that taxable profits will be available in future against which they can be offset or utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets are stated at present value.

1.26 Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the average exchange rates for the relevant periods.

1.27 Fair value measurement

A number of accounting policies and disclosures in the financial statements of TNO require the fair value measurement of both financial and non-financial assets and liabilities. For valuation and information purposes, fair values are determined based on the following methods.

(Other) receivables

The fair value of trade and other receivables is estimated based on the present value of the future cash flows.

Derivatives

The fair value of forward exchange contracts and interest rates swaps is based on their quote market price, where available. If a quoted market price is not available, the fair value is estimated by discounting the expected cash flows to their present value using current interest rates, which include a risk premium for the relevant risks.

Non-derivative financial liabilities

The fair value of non-derivative financial liabilities (loans) is determined for information purposes only and is calculated based on the present value of future principal and interest payments, discounted at the market interest rate at the reporting date.

Further information about the principles of fair value measurement is provided in the notes applicable to the relevant asset or liability.

Notes to the 2023 consolidated financial statements

1.28 Use of estimates

The preparation of the financial statements requires that management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

The estimates mainly relate to fixed assets, projects in progress, deferred tax assets and provisions (including provisions for restructurings, a provision for redundancies, claims and onerous contracts).

1.29 Related parties

Transactions with related parties occur when a relationship exists between TNO, its participating interests and their directors and key management personnel.

As part of its ordinary activities, TNO provides and receives services to and from various related parties in which TNO has an interest of 50% or less. These transactions are generally conducted at arm's length, i.e. under terms and conditions comparable to those applying to third parties with whom no relationship exists.

Notes to the consolidated balance sheet as of 31 December 2023

(in thousands of euros)

1 Intangible assets

Changes in intangible assets in 2023:

	Goodwill
Balance at 31-12-2022	
Cost of acquisition	4,705
Accumulated depreciation and impairment	-2,235
Carrying amount	2,470
Change in carrying amount	
Amortisation	-470
	-470
Balance at 31-12-2023	
Cost of acquisition	4,705
Accumulated amortisation and impairment	-2,705
Carrying amount	2,000

On 1 April 2018, TNO took over the energy activities of Stichting Energieonderzoek Centrum Nederland (NRG). The acquisition was measured according to the purchase accounting method. The goodwill amounted to € 4.7 million and is amortised over a period of 10 years.

As of 31 December 2023, there was no reason to recognise an impairment loss.

Notes to the consolidated balance sheet as of 31 December 2023

2 Property, plant and equipment

Changes in property, plant and equipment in 2023:

	Land and buildings	Plant and equipment	Other operating assets	Fixtures and fittings	Assets under construction and development	Property, plant and equipment not used in operations	Total
Balance at 31-12-2022							
Cost of acquisition	112,554	151,516	174,169	11,112	35,145	17,263	501,760
Accumulated depreciation and impairment	-63,678	-81,815	-104,799	-5,352	-	-12,723	-268,368
Carrying amount	48,876	69,701	69,370	5,760	35,145	4,540	233,392
Change in carrying amount							
Investments	-	486	7,434	872	-	-	8,792
Disposals	-	-32	-15	-	-	-	-47
Reclassifications	685	-2,389	-	-	-	1,704	-
Reclassifications of cumulative depreciation	809	1,364	-	-	-	-2,173	-
Impairment losses	-89	-330	-	-	-	-	-419
Depreciation	-1,813	-10,373	-21,229	-1,297	-	-659	-35,371
Assets under construction and development recognised in financial year	-	6,391	9,656	211	-16,956	698	-
Disposal of assets under construction	-	-	-	-	-1,022	-	-1,022
Assets under construction, new investments in 2023	-	-	-	-	36,599	-	36,599
	-408	-4,883	-4,154	-214	18,621	-430	8,532
Balance at 31-12-2023							
Cost of acquisition	113,239	155,659	181,643	12,140	53,766	19,665	536,112
Accumulated depreciation and impairment	-64,771	-90,841	-116,427	-6,594	-	-15,555	-294,188
Carrying amount	48,468	64,818	65,216	5,546	53,766	4,110	241,924

The depreciation expense recognised in the income statement also includes the release from the investment grants equalisation account. The carrying amount of property, plant and equipment as of 31 December 2023 includes land, buildings, plant and equipment for € 32.5 million (2022: €37.4 million), of which TNO has sole economic ownership. This relates to investments in rented premises.

Notes to the consolidated balance sheet as of 31 December 2023

Applied depreciation periods in years

	2023	2022
Land	nil	nil
Buildings	40	40
Plant and equipment	15	15
Renovations	4-15	4-15
Computer hardware	3-5	3-5
Other operating assets	5	5
Fixtures and fittings	10	10

3 Financial assets

	Non-consolidated participations		Deferred tax assets	Total
	Share in equity	Loans		
Balance at 31-12-2022	10,458	999	5,400	16,857
Changes:				
Investments and loans granted	2,690	660	-	3,350
Disposals and repayments	-218	-10	-	-228
Conversion loan into shares	616	-616	-	-
Value changes	18	-	-	18
Share of profit (loss) of participating interests	2,112	-	-	2,112
Movement in loans	-	-559	-	-559
Dividends	-100	-	-	-100
Change in deferred tax assets	-	-	600	600
Balance at 31-12-2023	15,576	474	6,000	22,050

A list of all direct and indirect participating interests of TNO is included in the notes to the company financial statements.

Deferred tax assets

	2023	2022
Balance as of 1 January	5,400	5,500
Change in tax deviating measurements	600	-100
Balance as of 31 December	6,000	5,400

Deferred tax assets are stated at present value. For the present value calculation, an interest rate of 3.9% is used. The nominal value of deferred tax assets is € 10.9 million (2022: € 9.5 million).

The present value of nominal deferred tax assets is € 6.9 million (2022: € 6.3 million). Of the deferred tax assets, € 4.7 million has an anticipated set-off term of more than one year (2022: € 4.7 million).

Due to a limited profit target and insufficient certainty, not all tax positions can be realised. The deferred tax assets as of 31 December 2023 have been valued at € 6.0 million (2022: € 5.4 million).

4 Receivables

	31-12-2023	31/12/ 2022
Contract receivables	33,584	36,910
Projects in progress	73,369	63,144
Other receivables	13,328	11,140
Prepayments and accrued income	14,210	12,245
Total	134,490	123,439

The other receivables with a term of maturity of more than one year are nil (2022: € 0.5 million). Of the prepayments and accrued income, € 1.4 million has a term to maturity of more than one year (2022: € 1.7 million).

Notes to the consolidated balance sheet as of 31 December 2023

Projects in progress

	31-12-2023	31-12-2022
Accumulated costs less provisions for losses and risks	242,679	192,672
Less: accumulated progress billings	-296,330	-260,685
Total projects in progress	-53,651	-68,013
Of which recognised under current receivables	73,369	63,144
Of which recognised under current liabilities	-127,020	-131,157

The 'Projects in progress' item includes a provision for losses and risks of € 5.0 million (2022: € 5.1 million).

5 Cash and cash equivalents

The balance of liquid assets of € 350.2 million exceeds the special reserve of € 37.6 million with € 312.6 million (see point 8).

6 General reserve

	2023	2022
Balance as of 1 January	329,526	327,156
Profit appropriation	14,557	2,370
Balance as of 31 December	344,083	329,526

7 Statutory reserve

	2023	2022
Balance as of 1 January	6,198	5,326
Change	3,277	872
Balance as of 31 December	9,475	6,198

The statutory reserve concerns non-distributable profits from participating interests measured at net asset value.

8 Special reserves

	Balance at 31-12-2022	Withdrawn in 2023	Added in 2023	Balance at 31-12-2023
Civil operating risks	9,075	-	-	9,075
Construction of new defence buildings	29,998	11,467	9,999	28,530
Total	39,073	11,467	9,999	37,605

9 Provisions

	Balance at 31-12-2022	Withdrawn in 2023	Added in 2023	Release in 2023	Balance at 31-12-2023
Employee and post-employment benefits	418	48	-	40	330
Jubilee provision	3,084	372	580	-	3,292
Claims	800	-	250	-	1,050
Restructurings	1,503	712	-	1	790
Redundancies	258	484	317	10	81
Other	9,024	1,937	1,369	769	7,687
Total	15,087	3,553	2,516	820	13,230

Of the other provisions, € 7.4 million concerns onerous contracts (2022: € 5.1 million). Of the provisions, approximately € 9.4 million is of a long-term nature (2022: € 10.7 million).

Notes to the consolidated balance sheet as of 31 December 2023

10 Long-term liabilities

	31-12-2023	31-12-2022
Investment grants equalisation account	36,900	40,946
Other loans	5,755	6,032
Present value correction interest-free loans	-1,106	-1,082
Total	41,549	45,896

Investment grants equalisation account

	2023	2022
Balance as of 1 January	40,946	22,571
Grants awarded	6,069	27,336
	47,015	49,907
Release added to profit (loss) for the year	-10,115	-8,961
Balance as of 31 December	36,900	40,946

Of the investment grants equalisation account, € 9.3 million has a term to maturity of less than one year (2022: € 9.0 million) € 4.7 million has a term to maturity of more than five years (2022: € 5.5 million).

Other loans

	2023	2022
Balance as of 1 January	6,032	6,836
Loans drawn	552	-
Repayments on loans	-572	-450
Change in short-term part of the loans	-257	-354
Balance as of 31 December	5,755	6,032

Of the other loans, € 2.6 million has a term to maturity of between one and five years (2022: € 2.7 million). The remainder of the other loans, amounting to € 2.0 million, has a term to maturity of more than five years (2022: € 5.5 million). No securities have been issued. The other loans are interest-free.

11 Current liabilities

	31-12-2023	31-12-2022
Payables	13,311	12,974
Taxes and social insurance contributions	32,240	20,437
Pensions	-	139
Holiday pay	11,872	10,062
Outstanding leave entitlement	25,512	20,862
Other liabilities	42,447	44,584
Accruals and deferred income	20,879	20,139
Accrued government funding	31,674	32,443
Projects in progress	127,020	131,157
Total	304,955	292,797

The other liabilities largely relate to costs accounted for in 2023 for which the settlement will take place in 2024. These current liabilities do not bear interest.

Accruals and deferred income largely relate to advances received in respect of specific research projects.

The accruals and deferred income recognised in 2023 include € 6.5 million (2022: € 2.5 million) in investment grants that will lead to expenditures in 2024, as well as € 14.4 million (2022: € 17.6 million) in advances received for research projects that will be transferred to third parties in 2024.

Of the accruals and deferred income, € 2.1 million has a term to maturity of more than one year (2022: € 1.0 million).

TNO cannot claim back the VAT paid for non-economic activities and applies the pre-pro rata method. This method involves elements of estimation.

Projects in progress

The projects in progress item is explained under current receivables (see point 4).

Notes to the consolidated balance sheet as of 31 December 2023

Financial instruments

General

As part of its ordinary activities, TNO uses various financial instruments that expose TNO to market and/or credit risks. These financial instruments, as well as forward exchange contracts and interest rate swaps for hedging future transactions, cash flows and interest rate risks, are recognised in the balance sheet.

TNO does not trade in these financial instruments and has in place procedures and a code of conduct to limit the amount of credit risk to which it is exposed in respect of each counterparty or market. If a counterparty defaults on payments due to TNO, any risks arising from this default are limited to the market value of the relevant instruments. The contract value or notional principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the amount of the credit or market risks.

Interest rate risk

The interest rate risk is limited to any changes in the market value of the loans drawn and loans granted and cash and cash equivalents. The interest rate risk for the cash and cash equivalents concerns the risk of fluctuations in the fair value of the future cash flows of financial instruments due to changes in market interest rates. As the current cash position does not bear fixed interest at fixed rates, TNO is not exposed to interest rate risk on this position. It is preferable for all loans to have a fixed interest rate throughout their term to maturity. Where this is not the case, the policy of TNO is to use derivative financial instruments to control (interim) interest rate fluctuations. The loans are held to maturity.

Credit risk

TNO runs a credit risk by virtue of transactions. This risk relates to the loss that may occur when a counter party remains in default. This risk is limited due to the large number and diversity of parties from which TNO's receivables are due. There is only a concentration of credit risk in terms of the geographic spread of the outstanding receivables, which is concentrated in the Netherlands. TNO has spread its risk over various banks.

Market value

The market value of most of the financial instruments recognised in the balance sheet, including loans granted (other) receivables, cash and cash equivalents and trade and other payables, approximates their carrying amount. TNO has recalculated the price for all contracts individually from when they were entered into to the balance sheet date.

The hedged position as of the balance sheet date and as of the date on which the hedge was entered into (€ 8.7 million and € 8.8 million respectively) is presented in the notes. The market value of the outstanding USD forward contracts is € 8.7 million and the contract value is € 8.8 million (2022: € 11.3 and € 12.0 million). At year-end 2023, there are no GBP forward contracts (2022: nil) and no JPY forward contracts (2022: nil).

Off-balance sheet assets and liabilities

As of 31 December 2023, the total operating lease liabilities for the period from 2024 to 2028 inclusive amounted to approximately € 5.0 million (2022: € 3.7 million), of which € 2.2 million falls due in 2024 (2022: € 1.9 million) and € 2.8 million (2022: € 1.8 million) falls due between one and five years. In 2023, the amount of paid operating lease was € 2.9 million (2022: € 2.9 million).

Rental obligations totalled € 139.2 million (2022: € 118.3 million), of which € 22.8 million (2022: € 18.8 million) falls due within one year, € 62.2 million (2022: € 47.9 million) in between one and five years, and € 54.2 million (2022: € 51.6 million) in more than five years. In 2023, the amount of paid rent was € 19.7 million (2022: € 17.3 million).

As of 31 December 2023, investment obligations in respect of property, plant and equipment totalled € 1.3 million (2022: € 5.2 million). A TNO subsidiary, TNO Tech Transfer Holding BV, has investment obligations totalling € 5.1 million as of 31 December 2023 (2022: € 4.1 million) at a number of funds in which it participates.

The total of bank guarantees issued is € 1.1 million (2022: € 0.2 million).

The total credit facility and bank guarantee facility amount to € 13.3 million (2022: € 13.3 million) and € 11.0 million (2022: € 11.0 million).

Other securities and conditions for the total credit facility consist of:

- negative pledge/pari passu and cross-default clause;
- joint account and joint liability agreement, security type: current account plus one party.

Notes to the consolidated balance sheet as of 31 December 2023

As at year-end 2023, the sureties furnished totalled nil (2022: nil).
TNO is currently a litigant in various legal proceedings that relate to its ordinary activities.
TNO does not expect that the total liabilities arising from these proceedings will be of material significance to its financial position.

Provisions have been recognised for all disputes and legal proceedings based on the nominal value of the expenditures that are expected to be required to settle the liabilities and losses.

12 Revenue

	2023	2022
Contract revenue	348,011	292,031
Government funding	339,787	298,673
Total	687,798	590,704

Revenue includes a positive movement in projects in progress of € 14.4 million (2022: € 1,7 million negative).

Contract Revenue

Contract revenue breaks down by category as follows:

	2023	2022
Domestic contract revenue		
Government	145,079	108,487
Industry	91,365	90,825
Total domestic contract revenue	236,444	199,312
International contract revenue		
International organisations	6,774	9,278
Other	104,793	83,441
Total international contract revenue	111,567	92,719
Total	348,011	292,031

13 Other operating income

	2023	2022
Gain (loss) on disposals of property, plant and equipment	22	5,860
Other income	14,595	11,467
Total	14,617	17,327

Other income includes income from licences and patents, non-project-related income and costs charged on to external parties.

14 Direct project costs

Direct costs are defined as the tangible costs (including costs of outsourced work) that are directly attributable to a project.

15 Personnel expenses

	2023	2022
Wages and salaries	304,836	264,114
Pension costs	40,750	34,446
Other social expenses	44,273	37,083
Other personnel expenses	61,245	52,851
Change in outstanding leave entitlement	4,650	2,913
Utilisation and release of provisions:		
- employee and post-employment benefits	-88	-57
- jubilee	-372	-320
- redundancies	-494	-331
- restructurings	-713	-652
	454,087	390,047
Addition to provisions:		
- employee and post-employment benefits	-	28
- jubilee	580	272
- restructurings	-	2,086
- redundancies	317	184
Total	454,984	392,617

Notes to the consolidated income statement for the year ended 31 December 2023

(in thousands of euros)

In 2023, the average number of employees totalled 3,811 FTEs, of which 3 FTEs were employed outside of the Netherlands (2022: 3,463 FTEs, of which 4 FTEs outside of the Netherlands). The remuneration, including pension contributions, of the members of TNO's Board of Management totalled € 0.7 million (2022: € 0.8 million). The remuneration of the members of TNO's Supervisory Board totalled € 0.2 million (2022: € 0.1 million).

As of 31 December 2023, the preliminary policy coverage ratio of Stichting Pensioenfonds TNO (12-month rolling average of the market value of the plan assets expressed as a percentage of the defined benefit obligation according to the accounting policies of the Dutch central bank) came to 122.6% (31 December 2022: 130.0%). From 1 January 2023, pensions will be indexed (with retroactive effect) at 16.93%. This means the full indexations from 2021 and 2022 have been awarded. The total of missed indexations remains 9.1%.

The social partners set the premium for 2024 at 20.34% (2023: 20.34%). This allows for an accrual rate of 1.75% (2023: 1.50%).

16 Depreciation property, plant and equipment

	2023	2022
Depreciation of:		
- buildings	1,902	1,860
- plant and equipment	10,703	10,891
- other operating assets	21,229	18,468
- fixtures and fittings	1,297	1,077
- property, plant and equipment not used in operations	659	1,080
	35,790	33,376
Release from:		
- investment grants equalisation account	-10,115	-8,961
Total	25,675	24,415

17 Other operating expenses

	2023	2022
Accommodation costs	55,558	50,562
Costs of materials	6,391	5,544
Use of operating assets	18,398	14,196
General administrative expenses	23,442	20,366
Outsourced work	17,186	13,600
Changes in provisions	-1,087	-870
Other expenses	11,380	16,365
Contributions paid	1,058	551
Total	132,326	120,314

18 Finance income and expenses

	2023	2022
Interest income	8,950	1,726
Interest expenses	-1	-1,369
Exchange differences	20	20
Total	8,969	377

19 Corporation tax

	2023	2022
Tax expense		
Current financial year	5,009	-1,321
Previous financial year	204	141
Deferred tax		
Change in deferred tax assets	-600	100
Total	4,613	-1,080

Notes to the consolidated income statement for the year ended 31 December 2023

When TNO first became liable for corporation tax, the opening tax balance sheet was prepared on the basis of the applicable tax accounting policies. Deferred tax assets were formed for the difference between the valuation on the fiscal balance sheet (tax base) and the balance sheet for reporting purposes (commercial carrying amount). The commercial measurement is lower than the fiscal measurement, which results in a deferred tax asset of € 6.0 million (2022: € 5.4 million).

The reconciliation between the Dutch nominal tax rate and effective tax rate is as follows:

	2023	2022
Nominal tax rate in the Netherlands	25.8%	25.8%
Non-tax-deductible items and restatements for prior financial years	-0.8%	31.6%
Effective tax burden	25.0%	57.4%

20 Share of profit (loss) of participating interests

	2023	2022
Participating interests:		
- Non-consolidated participating interests	2,112	1,148
- Result on loans and other investments	-559	-
- Disposal of participating interests	915	148
Total	2,468	1,296

21 Auditor's fee

The following fees as referred to in Section 2:382a of the Dutch Civil Code were charged to TNO, its subsidiaries and other consolidated companies by Ernst & Young.

	2023	2022
Audit of the financial statements	345	252
Other audit engagements	288	296
Tax consultancy fees	-	-
Other non-audit services	96	88
Total	729	636

22 Subsequent events

A TNO subsidiary, TNO Tech Transfer Holding B.V., purchased the remaining 55% interest in Holland Metrology B.V. (including its 100% subsidiary VSL) on 16 February 2024, with effect from 1 January 2024.

Balance sheet of TNO as of 31 December 2023

(in thousands of euros)

after profit appropriation

	Note	31-12-2023	31-12-2022
Fixed assets			
Intangible assets	<u>1</u>	2,000	2,470
Property, plant and equipment	<u>2</u>	241,823	232,985
Financial assets	<u>3</u>	154,312	154,329
		398,135	389,784
Current assets			
Inventories		212	243
Receivables	<u>4</u>	126,975	117,022
Cash and cash equivalents		219,921	221,278
		347,108	338,543
Total		745,243	728,327

	Note	31-12-2023	31-12-2022
Equity			
General reserve		344,083	329,526
Statutory reserve		9,475	6,198
Special reserves		37,605	39,073
	<u>5</u>	391,163	374,797
Provisions	<u>6</u>	13,230	15,087
Long-term liabilities	<u>7</u>	41,549	45,896
Current liabilities	<u>8</u>	299,301	292,547
Total		745,243	728,327

TNO 2023 income statement

(in thousands of euros)

	Note	2023	2022
Domestic and international contract revenue		202,760	183,366
Contract revenue government		145,079	108,487
Market sales		347,839	291,853
Government contribution		339,787	298,673
Revenue	<u>9</u>	687,626	590,526
Other operating income		14,929	17,520
Total operating income		702,555	608,046
Direct project costs		-79,546	-72,514
Personnel expenses	<u>10</u>	-454,640	-392,375
Amortisation		-470	-471
Depreciation		-24,848	-24,134
Impairment losses property, plant and equipment		-419	-
Other operating expenses		-131,904	-120,182
Total operating expenses		-691,827	-609,676
Operating profit (loss)		10,728	-1,630
Finance income and expenses	<u>11</u>	6,018	439
Profit (loss) from ordinary activities before tax		16,746	-1,191
Corporation tax	<u>12</u>	-4,732	1,083
Share of profit (loss) of participating interests		4,352	601
Net profit (loss)		16,366	493

Accounting policies

General

TNO's mission is to create impactful innovations for the sustainable well-being and prosperity of society.

Name: Nederlandse Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek TNO ('TNO').

Legal form: public corporate body with statutory task.

Chamber of Commerce no.: 27376655

TNO has its registered office in Delft, the Netherlands.

Accounting policies

As regards the accounting policies, reference is made to the notes to the consolidated financial statements. This also applies to other notes, to the extent they are not included below. The TNO financial statements are the separate financial statements for the TNO organisation.

Notes to the TNO balance sheet as of 31 December 2023

(in thousands of euros)

1 Intangible assets

Changes in intangible assets in 2023:

	Goodwill
Balance at 31-12-2022	
Cost of acquisition	4,705
Accumulated depreciation and impairment	-2,235
Carrying amount	2,470
Change in carrying amount	
Amortisation	-470
	-470
Balance at 31-12-2023	
Cost of acquisition	4,705
Accumulated depreciation and impairment	-2,705
Carrying amount	2,000

On 1 April 2018, TNO took over the energy activities of Stichting Energieonderzoek Centrum Nederland (NRG).

The acquisition was measured according to the purchase accounting method.

The goodwill amounted to € 4.7 million and is amortised over a period of 10 years.

As of 31 December 2023, there was no reason to recognise an impairment loss.

Notes to the TNO balance sheet as of 31 December 2023

2 Property, plant and equipment

Changes in property, plant and equipment in 2023:

	Land and buildings	Plant and equipment	Other operating assets	Fixtures and fittings	Assets under construction and development	Property, plant and equipment not used in operations	Total
Balance at 31-12-2022							
Cost of acquisition	112,554	151,517	170,903	11,112	35,145	17,263	498,494
Accumulated depreciation and impairment	-63,678	-81,816	-101,940	-5,352	-	-12,723	-265,509
Carrying amount	48,876	69,701	68,963	5,760	35,145	4,540	232,985
Change in carrying amount							
Investments	-	486	7,331	872	-	-	8,689
Disposals	-	-32	-14	-	-	-	-46
Reclassifications	685	-2,389	-	-	-	1,704	-
Reclassifications of cumulative depreciation	809	1,364	-	-	-	-2,173	-
Impairment losses	-89	-330	-	-	-	-	-419
Depreciation	-1,813	-10,373	-20,821	-1,297	-	-659	-34,963
Assets under construction and development recognised in financial year	-	6,391	9,656	211	-16,956	698	-
Disposal of assets under construction	-	-	-	-	-1,022	-	-1,022
Assets under construction, new investments in 2023	-	-	-	-	36,599	-	36,599
	-408	-4,883	-3,848	-214	18,621	-430	8,838
Balance at 31-12-2023							
Cost of acquisition	113,239	155,659	181,541	12,140	53,766	19,665	536,010
Accumulated depreciation and impairment	-64,771	-90,841	-116,426	-6,594	-	-15,555	-294,187
Carrying amount	48,468	64,818	65,115	5,546	53,766	4,110	241,823

The depreciation expense recognised in the income statement also includes the release from the investment grants equalisation account. The carrying amount of property, plant and equipment as of 31 December 2023 includes land, buildings, plant and equipment for € 32.5 million (2022: € 37.4 million), of which TNO has sole economic ownership. This relates to investments in rented premises.

Notes to the TNO balance sheet as of 31 December 2023

3 Financial assets

	Group companies	Loans	Deferred tax assets	Total
	Share in equity			
Balance at 31-12-2022	134,873	14,056	5,400	154,329
Changes:				
Investments and loans granted	2,500	-	-	2,500
Disposals and repaid loans	-	-7,169	-	-7,169
Share of profit (loss) of participating interests	4,352	-	-	4,352
Change in deferred tax assets	-	-	300	300
Balance at 31-12-2023	141,725	6,887	5,700	154,312

Of the loans item, € 6.9 million relates to loans to group companies (2022: € 14.1 million). The loans with a term of maturity of more than one year are nil (2022: € 8.0 million).

Deferred tax assets

	2023	2022
Balance as of 1 January	5,400	5,500
Tax deviating measurements	300	-100
Balance as of 31 December	5,700	5,400

Deferred tax assets are stated at present value. For the present value calculation, an interest rate of 3.9% is used. The nominal value of deferred tax assets is € 10.6 million (2022: € 9.5 million).

The present value of nominal deferred tax assets is € 6.6 million (2022: € 6.3 million). Of the deferred tax assets, € 4.7 million has an anticipated set-off term of more than one year (2022: € 4.7 million).

Due to a limited profit target and insufficient certainty, not all tax positions can be realised. The deferred tax assets as of 31 December 2023 have been valued at € 5.7 million (2022: € 5.4 million).

4 Receivables

	31-12-2023	31-12-2022
Contract receivables	33,536	36,910
Receivables from group companies	-	58
Projects in progress	73,369	63,144
Other receivables	5,861	4,666
Prepayments and accrued income	14,209	12,244
Total	126,975	117,022

The other receivables with a term of maturity of more than one year are nil (2022: € 0.5 million). Of the prepayments and accrued income, € 1.4 million has a term to maturity of more than one year (2022: € 1.7 million).

Projects in progress

	31/12/ 2023	31-12-2022
Accumulated costs less provisions for losses and risks	242,679	192,672
Less: accumulated progress billings	-296,330	-260,685
Total projects in progress	-53,651	-68,013
Of which recognised under current receivables	73,369	63,144
Of which recognised under current liabilities	-127,020	-131,157

The 'Projects under maintenance' item includes a provision for losses and risks of € 5.0 million (2022: € 5.1 million).

5 Equity

For information on TNO's equity, please refer to the 'Equity' item in the notes to the consolidated financial statements.

Notes to the TNO balance sheet as of 31 December 2023

6 Provisions

	Balance at 31-12-2022	Withdrawn in 2023	Added in 2023	Release in 2023	Balance at 31-12-2023
Employee and post-employment benefits	418	48	-	40	330
Jubilee provision	3,084	372	580	-	3,292
Claims	800	-	250	-	1,050
Restructurings	1,503	712	-	1	790
Redundancies	257	484	317	10	80
Other	9,025	1,937	1,369	769	7,688
Total	15,087	3,553	2,516	820	13,230

Of the other provisions, € 7.4 million concerns onerous contracts (2022: € 5.1 million).

Of the provisions, approximately € 9.4 million is of a long-term nature (2022: € 10.7 million).

7 Long-term liabilities

	31-12-2023	31-12-2022
Investment grants equalisation account	36,900	40,946
Other loans	5,755	6,032
Present value correction interest-free loans	-1,106	-1,082
Total	41,549	45,896

Of the investment grants equalisation account, € 9.3 million has a term to maturity of less than one year (2022: € 9.0 million) € 4.7 million has a term to maturity of more than five years (2022: € 5.5 million). No securities have been issued. The other loans are interest-free. Of the other loans, € 2.6 million has a term to maturity of between one and five years (2022: € 2.7 million).

The remainder of the other loans, amounting to € 2.0 million, has a term to maturity of more than five years (2022: € 2.2 million).

See the consolidated financial statements for a statement of changes of the equalisation account and other loans.

8 Current liabilities

	31-12-2023	31-12-2022
Payables	13,226	12,960
Taxes and social insurance contributions	32,107	20,448
Holiday pay	11,872	10,062
Outstanding leave entitlement	25,512	20,862
Other liabilities	37,010	44,476
Accruals and deferred income	20,880	20,139
Accrued government funding	31,674	32,443
Projects in progress	127,020	131,157
Total	299,301	292,547

Of the other liabilities, € 22.5 million has a term to maturity of more than one year (2022: € 14.5 million).

These current liabilities do not bear interest. Accruals and deferred income largely relate to advances received in respect of specific research projects. Of the accruals and deferred income, € 2.1 million has a term to maturity of more than one year (2022: € 1.0 million). TNO cannot claim back the VAT paid for non-economic activities and applies the pre-pro rata method.

This method involves elements of estimation.

Projects in progress

The projects in progress item is explained under current receivables (see point 4).

Notes to the 2023 TNO consolidated income statement

(in thousands of euros)

9 Revenue

	2023	2022
Domestic contract revenue industry	91,193	90,647
Contract revenue international organisations	6,774	9,278
International contract revenue	104,793	83,441
Total international contract revenue	111,567	92,719
Contract revenue government	145,079	108,487
Market sales	347,839	291,853
Government contribution	339,787	298,673
Total	687,626	590,526

Revenue includes the change to projects in progress of € 14.4 million positive (2022: € 2.1 million negative).

10 Personnel expenses

	2023	2022
Wages and salaries	304,782	263,947
Pension costs	40,750	34,446
Other social expenses	44,253	37,064
Other personnel expenses	60,975	52,795
Change in outstanding leave entitlement	4,650	2,913
Changes in provisions	-770	1,210
Total	454,640	392,375

In 2023, the average number of employees totalled 3,809 FTEs, of which 1 FTE was employed outside of the Netherlands (2022: 3,461 FTEs, of which 2 FTEs outside of the Netherlands).

The remuneration, including pension contributions, of the members of TNO's Board of Management totalled € 0.7 million (2022: € 0.8 million).

The remuneration of the members of TNO's Supervisory Board totalled € 0.1 million (2022: € 0.1 million).

11 Finance income and expenses

	2023	2022
Interest income	5,999	1,265
Interest expenses	-1	-846
Exchange differences	20	20
Total	6,018	439

12 Corporation tax

	2023	2022
Tax expense		
Current financial year	4,828	-1,324
Previous financial year	204	141
Deferred tax		
Change in deferred tax assets	-300	100
Total	4,732	-1,083

When TNO first became liable for corporation tax, the opening tax balance sheet was prepared on the basis of the applicable tax accounting policies.

Deferred tax assets are recognised for differences between the tax bases and carrying amounts for financial reporting purposes of assets and liabilities. The commercial measurement is lower than the fiscal measurement, which results in a deferred tax asset of € 5.7 million (2022: € 5.4 million).

Notes to the 2023 TNO consolidated income statement

The reconciliation between the Dutch nominal tax rate and effective tax rate is as follows:

	2023	2022
Nominal tax rate in the Netherlands	25.8%	25.0%
Non-tax-deductible items and restatements for prior financial years	2.5%	65.9%
Effective tax burden	28.3%	90.9%

The taxable profit for 2023 amounted to € 18.6 million. This taxable profit results in a current tax expense of € 4.8 million (i.e. a tax rate of 25.8%).

13 Subsequent events

There are no significant events after the balance sheet date.

Report of TNO on compliance with standards for remuneration (WNT) for 2023

(in € x 1)

The Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) came into effect on 1 January 2013. This compliance report has been prepared based on the following regulation applicable to TNO: The general WNT maximum.

The maximum remuneration for TNO in 2023 was € 223,000.00. This has been determined on the basis of the Reduction of Maximum Remuneration (WNT) Act (Wet verlaging bezoldigingsmaximum WNT), which came into effect on 1 January 2015.

The applicable WNT maximum shown per person or per position is calculated in proportion to the working hours under the employment contract (and for senior officials also the period of service), with the proviso that the employment may not exceed 1.0 FTE for the purposes of this calculation.

An exception applies to the Supervisory Board. The WNT maximum for the Chair and the other members of the Supervisory Board is 15% and 10%, respectively, of the applicable general WNT maximum.

The identified senior officials on the Board of Management of TNO are not employed as senior management officials at multiple institutions that fall under the WNT (under employment contracts entered into effective from 1 January 2018).

Mr Werkhoven is no longer a member of the TNO Board of Management with effect from 1 January 2023. As a former top official, he will be regulated as a leading top official until 2026.

Remuneration of senior officials

1. Senior management officials

Details for 2023

	Dr. T.B.P.M. Tjin-A-Tsoi	Drs. S.M. Swarte RC	Ir. M.G.L.H. Tossings	Prof. P.J. Werkhoven
Job details	Member of Board of Management (Chair)	Member of the Board of Management	Member of the Board of Management	Former member of Board of Management / Chief Scientist
Start and end job performance in 2023	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Employment in FTEs	1.0	1.0	1.0	0.75
Employed?	yes	yes	yes	yes
Remuneration				
Remuneration plus taxable expense allowances	207,548.64	207,546.12	207,329.96	149,357.09
Long-term and post-employment benefits	15,444.36	15,444.36	15,444.36	11,583.25
Subtotal	222,993.00	222,990.48	222,774.32	160,940.34
Applicable individual maximum remuneration ²	223,000.00	223,000.00	223,000.00	167,250.00
-/- amount paid in excess of statutory maximum that has not been refunded yet	n/a	n/a	n/a	n/a
Remuneration 2023	222,993.00	222,990.48	222,774.32	160,940.34
Further information about the claim for undue payment	n/a	n/a	n/a	n/a

Report of TNO on compliance with standards for remuneration (WNT) for 2023

Details for 2022

	Dr. T.B.P.M. Tjin-A-Tsoi	Drs. S.M. Swarte RC	Ir. M.G.L.H. Tossings	Prof. P.J. Werkhoven
Job details	Member of Board of Management (Chair)	Member of the Board of Management	Member of the Board of Management	Member of the Board of Management
Start and end job performance in 2022	01/06 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Employment in FTEs	1.0	1.0	1.0	1.0
Employed?	yes	yes	yes	yes
Remuneration				
Remuneration plus taxable expense allowances	118,696.00	202,393.80	202,149.08	202,147.08
Long-term and post-employment benefits	7,933.94	13,601.04	13,601.04	13,601.04
Subtotal	126,629.94	215,994.84	215,750.12	215,748.12
Applicable individual maximum remuneration	126,641.10	216,000.00	216,000.00	216,000.00
-/- amount paid in excess of statutory maximum that has not been refunded yet	n/a	n/a	n/a	n/a
Remuneration 2022	126,629.94	215,994.84	215,750.12	215,748.12
Further information about the claim for undue payment	n/a	n/a	n/a	n/a

Report of TNO on compliance with standards for remuneration (WNT) for 2023

2. Supervisory Board officials (1)

Details for 2023

	Mr. P.G. de Vries	Prof. dr. ir. drs. H. Bijl	Dr. ir. P.J.M. van Laarhoven	Drs. J.D. Lamse-Minderhoud RA	Ir. L. Verheij van Wijk
Job details	Member of Supervisory Board (Chair)	Member of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board
Start and end job performance 2023	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Remuneration					
Remuneration plus taxable expense allowances	31,440.00	20,292.00	20,292.00	20,292.00	20,292.00
Applicable individual maximum remuneration	33,450.00	22,300.00	22,300.00	22,300.00	22,300.00
-/- amount paid in excess of statutory maximum that has not been refunded yet	n/a	n/a	n/a	n/a	n/a
Total remuneration for 2023	31,440.00	20,292.00	20,292.00	20,292.00	20,292.00
Reason why the transgression is permitted or not	n/a	n/a	n/a	n/a	n/a
Further information about the claim for undue payment	n/a	n/a	n/a	n/a	n/a

Details for 2022

	Mr. P.G. de Vries	Prof. dr. ir. drs. H. Bijl	Dr. ir. P.J.M. van Laarhoven	Drs. J.D. Lamse-Minderhoud RA	Ir. L. Verheij van Wijk
Job details	Member of Supervisory Board (Chair)	Member of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board	Member of Supervisory Board
Start and end job performance 2022	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Remuneration					
Remuneration plus taxable expense allowances	30,396.00	19,596.00	19,596.00	19,596.00	19,596.00
Applicable individual maximum remuneration	32,400.00	21,600.00	21,600.00	21,600.00	21,600.00

Report of TNO on compliance with standards for remuneration (WNT) for 2023

2. Supervisory Board officials(2)

Details for 2023

	Ir. J.B.P. Coopmans	Prof. M.P. Hekkert
Job details	Member of Supervisory Board	Member of Supervisory Board
Start and end job performance 2023	01/01 - 31/12	01/01 - 31/12
Remuneration		
Remuneration plus taxable expense allowance	20,292.00	20,292.00
Applicable individual maximum remuneration	22,300.00	22,300.00
-/- amount paid in excess of statutory maximum that has not been refunded yet	n/a	n/a
Total remuneration for 2023	20,292.00	20,292.00
Reason why the transgression is permitted or not	n/a	n/a
Further information about the claim for undue payment	n/a	n/a

Details for 2022

	Ir. J.B.P. Coopmans	Prof. M.P. Hekkert
Job details	Member of Supervisory Board	Member of Supervisory Board
Start and end job performance 2022	01/01 - 31/12	01/05 - 31/12
Remuneration		
Remuneration plus taxable expense allowance	19,596.00	13,064.00
Applicable individual maximum remuneration	21,600.00	14,498.63

Report of TNO on compliance with standards for remuneration (WNT) for 2023

3. Remuneration of non-senior officials (1)

The maximum remuneration does not apply to these officials. Disclosure of their remuneration is mandatory, however.

Details for 2023

Job details	Director	Director	Senior Scientist	Director	Director
Start and end job performance in 2023	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Employment in FTEs	1.0	1.0	0.05	1.0	1.0
Remuneration					
Remuneration plus taxable expense allowances	229,520.56	224,198.75	10,538.40	214,648.47	216,010.08
Long-term and post-employment benefits	15,444.36	15,444.36	772.20	15,444.36	15,444.36
Total remuneration for 2023	244,964.92	239,643.11	11,310.60	230,092.83	231,454.44
Applicable individual remuneration threshold	223,000.00	223,000.00	11,150.00	223,000.00	223,000.00
Mandatory justification for exceeding the applicable individual remuneration threshold	a	a	a	a	a

a. The WNT does not apply to these senior officials. Disclosure of their remuneration is mandatory, however. The remuneration threshold is exceeded due to remuneration arrangements that were agreed when these officials were appointed.

Details for 2022

Job details	Director	Director	Senior Scientist
Start and end job performance in 2022	01/01 - 31/12	01/01 - 31/12	01/01 - 31/12
Employment in FTEs	1.0	1.0	0.05
Remuneration			
Remuneration plus taxable expense allowances	218,815.14	208,674.28	10,538.40
Long-term and post-employment benefits	13,601.04	13,601.04	680.04
Total remuneration for 2022	232,416.18	222,275.32	11,218.44

Report of TNO on compliance with standards for remuneration (WNT) for 2023

3. Remuneration of non-senior officials (2)

The maximum remuneration does not apply to these officials. Disclosure of their remuneration is mandatory, however.

Details for 2023

Job details	Director
Start and end job performance in 2023	01/01 - 31/12
Employment in FTEs	1.0
Remuneration	
Remuneration plus taxable expense allowances	210,531.32
Long-term and post-employment benefits	15,444.36
Total remuneration for 2023	225,975.68

Applicable individual remuneration threshold

Mandatory justification for exceeding
the applicable individual remuneration threshold

a

a. The WNT does not apply to these senior officials. Disclosure of their remuneration is mandatory, however. The remuneration threshold is exceeded due to remuneration arrangements that were agreed when these officials were appointed.

As at year-end 2023, TNO had direct participating interests in the following entities

Name	Registered office	Percentage
TNO Affiliates Holding BV	Delft	100%
- TNO Japan K.K. / TNO Japan Co. Ltd	Yokohama	100%
TNO Tech Transfer Holding BV	Delft	100%
- Peregrion BV	Leiden	91%

The following entities are not consolidated

Name	Registered office	Percentage
Blue Heart Energy BV	Alkmaar	8%
Solar Visuals BV	Alkmaar	32%
Innovation Industries Fund II Cooperatief UA	Amsterdam	<1%
Innovation Industries Fund III Cooperatief UA	Amsterdam	1%
MILENA-OLGA Joint Innovation BV	Amsterdam	50%
SHIFT Invest III Cooperatief UA	Amsterdam	2%
Sightlabs BV	Amsterdam	19%
Studio Automated Holding BV	Amsterdam	25%
VCC Deep Tech Fund Coöperatief UA	Bilthoven (Municipality of De Bilt)	5%
Cellcius BV	Breda	16%
Linksight BV	Bunnik	20%
Torwash BV	Burgerbrug (Municipality of Schagen)	25%
Holland Metrology NV	Delft	45%
Nearfield Instruments BV	Delft	9%
Orange Quantum Systems Holding BV	Delft	13%
Relement BV	Delft	47%
Solaroad BV	Delft	40%
TBQ BV	Delft	25%
Valley Optics Holding BV	Delft	17%
Aircision BV	Eindhoven	7%

The following entities are not consolidated

Name	Registered office	Percentage
AMSYSTEMS BV	Eindhoven	23%
Carbyon Holding BV	Eindhoven	7%
DeeptechXL Fund I Coöperatief UA	Eindhoven	3%
Eindhoven Engine BV	Eindhoven	33%
FononTech Holding BV	Eindhoven	40%
HighTechXL Group BV	Eindhoven	14%
istart.nl Fund Coöperatief UA	Eindhoven	7%
Keiron Printing Technolgies BV	Eindhoven	10%
Lion Volt BV	Eindhoven	25%
Lumo Fund II Coöperatief UA	Eindhoven	5%
SparkNano BV	Eindhoven	22%
touchwaves BV	Eindhoven	20%
TracXon BV	Eindhoven	43%
Udentity BV	Eindhoven	15%
Innovation Industries Fund Coöperatief UA	Enschede	2%
SHM Next BV	The Hague	20%
Newton Energy Solutions Holding BV	Haarlemmermeer	14%
Movanta Holding BV	Heemstede	20%
RetinaScope BV	Naarden	20%
STAK LeydenJar Technologies	Oegstgeest	2%
Delta Diagnostics BV	Rotterdam	11%
Tiledmedia BV	Rotterdam	7%
Calosol BV	Stadskanaal	30%
Pharmaprint BV	Utrecht	20%
CollaneX Therapeutics BV	Voorhout	19%

Delft, 14 March 2024

Other information

Profit appropriation

Section 4 of the TNO Guidelines for Financial Reporting (Richtlijnen Financiële Verslaggeving TNO) issued by the Ministry of Education, Culture and Science contains the following provisions: Reserves must be formed as part of the appropriation of the profit (loss) for the year. As part of the appropriation of the profit, special reserves may be formed or existing special reserves may be updated. The updates may be additions or withdrawals. For example, a special reserve may be formed for future expenditures or expenses as part of the appropriation of the profit (loss) for the year.

Any recognition of special reserves must take place on the basis of concrete policy plans and concrete financing plans. In addition, withdrawals may be made for purposes for which the special reserves were originally recognised, such as for expenditures made in the financial year. Expenditures that qualify as costs which exclusively relate to the relevant financial year are charged to the income statement for the relevant year. Expenditures that qualify as investments in knowledge development are capitalised.

The amortisation costs related to this investment are systematically taken to the income statement. As part of the appropriation of the profit (loss) for the year, an amount equal to the aforementioned amortisation costs or expenditures that qualify as costs in the financial year must be withdrawn from the special reserves.



Independent auditor's report

The following is an English translation of the independent auditor's report issued 14 March 2024

To: the management board and supervisory board of Nederlandse Organisatie voor Toegepast-Natuurwetenschappelijk Onderzoek TNO

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Nederlandse Organisatie voor Toegepast-Natuurwetenschappelijk Onderzoek TNO (hereinafter: 'TNO'), based in Delft, The Netherlands.

In our opinion, the accompanying financial statements included in this annual report give a true and fair view of the financial position of TNO as at 31 December 2023, and of its result for the year 2023 in accordance with the "Richtlijnen Financiële Verslaggeving TNO" from the Ministry of Education, Culture and Science, the additional letter dated 21 April 2004 with reference OWB/FO/2004/8195 and the relevant regulations in the "Wet normering topinkomens (WNT)".

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2023
- The consolidated and company statement of income and expense for the year 2023
- The notes comprising of a summary of the 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 and the "Accountantsprotocol TNO 2020". Our responsibilities based on these are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of TNO in accordance with 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.

Compliance with anti-cumulation provision of WNT not audited

In accordance with the "Controleprotocol WNT 2023" (WNT Auditing Protocol 2023), we did not audit the compliance with the anti-cumulation provision in Section 1.6a of the WNT and Section 5(1) (n and o) of the "Uitvoeringsregeling WNT" (WNT Implementation Regulation). Therefore, we did not audit whether or not a remuneration maximum was exceeded by a senior management official as a result of possible employment as senior management official at other institutions that are subject to the WNT, nor did we audit whether the required disclosure is accurate and complete in this respect.

Report on 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:

- The management board report for 2023 (TNO Annual report 2023);
- Other information.

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 the "Richtlijnen Financiële Verslaggeving TNO" from the Ministry of Education, Culture and Science.

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 the Dutch Standard 720 and the 'Accountantsprotocol TNO'. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.



The management board is responsible for the preparation of the other information, including the management board report and the other information as required by the “Richtlijnen Financiële Verslaggeving TNO” from the Ministry of Education, Culture and Science.

Description of the responsibilities with regard to the financial statements

Responsibilities of the Board of Management and Supervisory Board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with the “Richtlijnen Financiële Verslaggeving TNO” from the Ministry of Education, Culture and Science, the additional letter dated 21 April 2004 with reference OWB/FO/2004/8195 and the relevant regulations in the “Wet normering topinkomens (WNT). In this respect, the management board is also responsible for such internal control as the management board determines is necessary to enable the preparation of the financial statements and compliance with relevant laws and regulations, without material misstatements, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing TNO's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate TNO or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on TNO's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the financial reporting process of TNO.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform the audit engagement 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 maintained professional skepticism throughout the audit and have exercised professional judgment where relevant, in accordance with Dutch Standards on Auditing, the “Richtlijnen Financiële Verslaggeving TNO” from the Ministry of Education, Culture and Science, the “Accountantsprotocol TNO 2020”, the “Controleprotocol WNT 2023” and independence requirements.

Our audit included among others:

- 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 internal control of the education institution's internal control.
- Evaluating the appropriateness of accounting policies used, the financial criteria applied for legitimacy and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board'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 TNO'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 an institution to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.



- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and whether the income and expenditure recognized in the financial statements as well as movements in the balance sheet have in all material respects been legitimately generated.

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.

Amsterdam, 14 March 2024

Ernst & Young Accountants LLP

S.D.J. Overbeek-Goeseije

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