2023
Annual Report

Together ahead. RUAG

Annual Report

2023 financial year

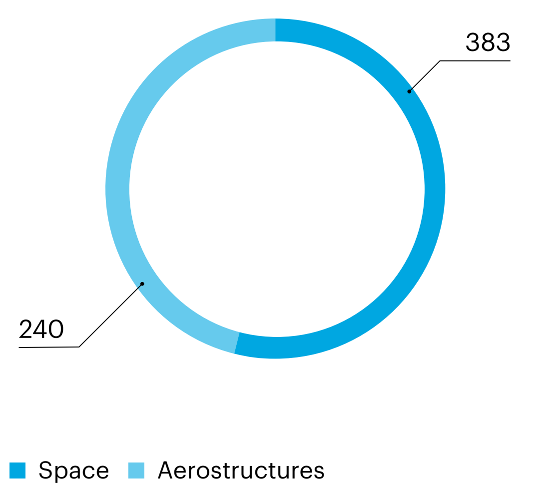
In 2023, RUAG International transformed itself into a space market-focused international supplier by selling its aerostructures business. The financial year was characterized by an inflationary market environment and strained supply chains. At the same time, investments were made in the expansion of production and the digital future of the space business. Adjusted for divestment and foreign currency effects, sales increased by CHF 62 million compared to the previous year. Reported earnings before interest and taxes (EBIT) amounted to CHF 28 million.

Due to substantial company divestments in 2023 and 2022 (including RUAG Ammotec), the key figures can only be compared to a limited extent. However, they reflect the continuous progress of the divestment strategy adopted jointly with the owner, the Swiss Confederation.

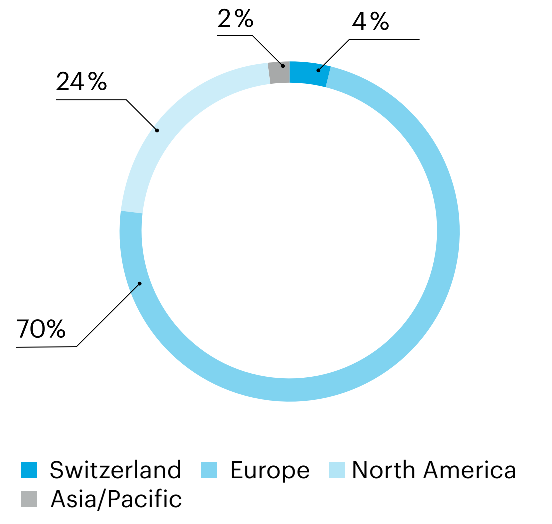
Overview of key figures in CHF million

	2023	2022	Change in %
Order intake	651	1043	–37.6%
Order backlog	770	1013	–24.0%
Net sales	620	945	–34.4%
Operating income	632	991	–36.3%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	32	199	–84.1%
Earnings before interest and taxes (EBIT)	28	178	–84.2%
Net profit	1	154	–99.7%
Cash flow from operating activities	(24)	(64)	63.0%
Free cash flow	89	472	–81.2%
Net financial position	457	570	–19.8%
Research and development expenses	11	18	–40.1%
Employees as at 31 December incl. apprentices	1989	2963	–32.9%

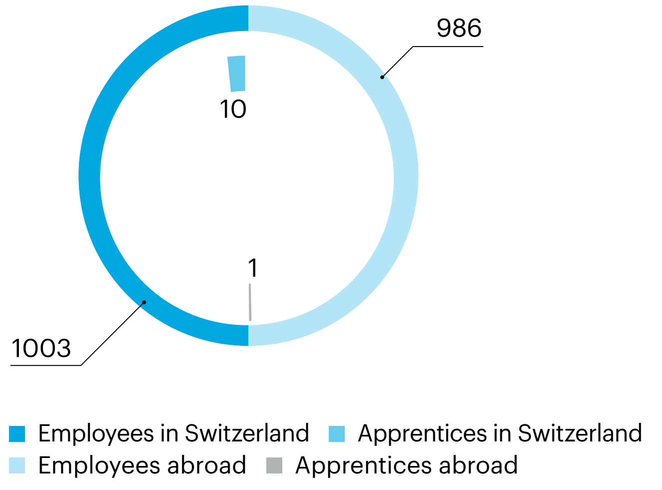
Net sales 2023 by segments in CHF m



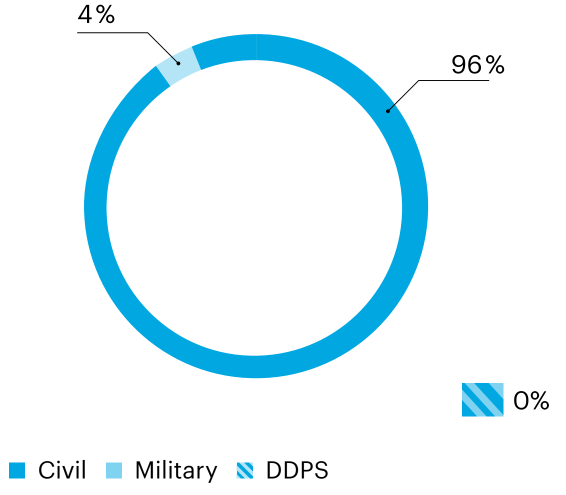
Net sales 2023 by market in %



Employees (FTE) in Switzerland and abroad 2023



Net sales 2023 by application in %



Key Events

March

Strengthening the People & Culture division

Laura-Katrin Seitz starts as Beyond Gravity's new Chief People Officer. Her experience in growth and transformation and in developing leaders in complex global organizations strengthens the company and brings new impetus.

May

Driving digital transformation

Caroline Schmitt broadens Beyond Gravity's digital expertise as the new Chief Transformation & Strategy Officer. Oliver Grassmann, who previously held this position, takes over the Satellites division as Executive Vice President.

June

Orders for Ariane 6

Beyond Gravity receives its first order for the production of payload fairings for the new Ariane 6 launcher. The payload fairings, which are up to 20 metres high and weigh 1,800 kilograms, are manufactured in a state-of-the-art, semi-automated process at the Emmen site in Switzerland.

July

Mubea takes over Aerostructures in Germany and Hungary

The German family-owned company Mubea with around 14,000 employees takes over the RUAG Aerostructures units in Germany and Hungary – as well as all of the approximately 1,000 employees. The lightweight construction specialist Mubea is in an ideal position to further promote the development of Aerostructures Germany & Hungary as the exclusive supplier for the Airbus A320 family. The closing took place in December 2023.

August

New headquarters in “The Circle” Zurich

Beyond Gravity's new headquarters in “The Circle” at Zurich Airport offers around 300 modern workplaces for employees from various departments. The new location promotes dialog between the units and facilitates agile collaboration.

September

Opening the Lisbon site

The new Innovation & Digital Hub in Lisbon (PT) enables Beyond Gravity to strengthen its leading role as an agile innovator in the space industry and drive growth. By the end of 2023, around 60 employees were already working at the site and a total of around 200 new jobs are to be created by 2025. This will make Beyond Gravity the largest space company in Portugal.

October

Award for Operational Excellence

RUAG Aerostructures Germany & Hungary wins the Airbus Supplier Award for Operational Excellence at the Global Supplier Conference 2023 in Toulouse, France. A strong focus on continuous improvement of product quality as well as straightforward solution and change approaches were decisive for the award.

November

Innovative concept aims to change space missions

A new concept for payload fairings aims to make space missions affordable and more sustainable: Instead of completely separating the half-shells from the first stage of propulsion, as is done today, the two half-shells open, release the payload and then close again, while remaining attached to the launcher's first stage and returning to Earth for reuse.

December

Property in Seebach sold

A first step in the privatization process of Beyond Gravity took place in December 2023 with the partial sale of the site in Zurich-Seebach. The property was sold to the City of Zurich for CHF 140 million and will be leased back in its entirety by Beyond Gravity until at least 2030.

January 2024

Pilatus takes over at Aerostructures in Emmen

At the beginning of January 2024, RUAG Aerostructures Switzerland and Pilatus Flugzeugwerke AG reached an agreement on the sale of the production infrastructure and the take-over of all employees. The business unit based in Emmen (CH) has been producing parts and components for Pilatus Aircraft since the early 1990s. These include PC-21 fuselages and the horizontal stabilizer of the PC-12.

From Aerospace to Space: RUAG International on its way to a successful future in space.

Dear shareholder,
Dear customer,
Dear Sir/Madam,

Dr. Remo Lütolf
Chairman of the Board of Directors
RUAG International Holding

André Wall
CEO
RUAG International Holding and Beyond Gravity

We are pleased that we were able to realize all the milestones for RUAG International in 2023 as promised with the divestments of the non-space-related business segments. In many cases, we even significantly exceeded the targets we had set for our employees. For example, a very attractive succession solution was found for the aerostructures business in Germany and Hungary with Mubea. And at the Emmen site, Pilatus Flugzeugwerken, a longstanding partner and customer, is taking over all machinery and employees.

The transformation of Beyond Gravity into a commercially successful and digitalized space company in all business areas is progressing according to plan. New digital platforms, expanded production facilities and modern hybrid office workstations are laying the foundations for end-to-end networked, automated business processes and for the integration of AI (artificial intelligence) and AR (augmented reality) into products and workflows.

Robust growth despite global inflation
In 2023, despite challenges from inflation and supply chain issues, the space market experienced robust growth, driven by increasing commercial investment and technological advances. Demand for satellite launches and space missions rose sharply and private companies once again played a significant role. However, economic factors, such as global financial market volatility and geopolitical tensions, led to increased costs and delays in projects.

The supplier market for aircraft components also faced inflationary pressure and supply chain disruptions, but still managed to record slight growth due to the recovery in demand in the aviation sector.

Due to the extensive company divestments in 2023 and 2022 (e.g. RUAG Ammotec), the key figures are only comparable to a limited extent. However, they reflect the continuous progress of the divestment strategy adopted jointly with the owner, the Swiss Confederation. Accordingly, the number of employees worldwide fell from 2,963 to 1,989. Net sales, 96% of which came from civil activities, fell to CHF 620 million (previous year CHF 945 million), EBIT to CHF 28 million (CHF 187 million) and free cash flow to CHF 89 million (previous year CHF 472 million). Adjusted for the divestment and currency effects, net sales rose by CHF 62 million compared to the previous year.

The income from the divestments and property sales will make it possible to pay a reasonable dividend to the owner for the 2023 financial year, as in the previous year.

New orders and successful major projects
Amongst the most important new orders, 14 payload fairings for the new European launcher Ariane 6 stand out. In addition, there are landmark contracts with new space players such as Quantum Space, Rocket Lab and Loft Orbital. Beyond Gravity will supply constellation on-board computers (COBC) and antennas for communication in the microwave spectrum for their innovative technology platforms and services. On another positive note stands the order intake in the area of drive mechanisms for solar modules (SADM) and slip rings production in Nyon grew favorably.

The major projects won in the previous reporting period for Amazon's Kuiper satellite constellation in the area of satellite dispensers and for the new launch platforms Vulcan Centaur (USA), Ariane 6 (Europe) and H3 (Japan) will generate order volumes for years to come. The maiden flight of all three new launch vehicles is planned for 2024.

Business with technologies for the semiconductor industry also developed successfully in 2023. The apertures and high-precision actuators for laser optics enable hardware manufacturers to achieve the precision required to produce the next generation of computer processors.

Attractive follow-up solutions for aerostructures
We initiated attractive follow-up solutions for all areas of aerostructures in 2023. The Airbus business in Oberpfaffenhofen (Germany) and Eger (Hungary) was taken over by the German family-owned company Mubea at the end of December 2023. The company, which has 14,000 employees and specializes in lightweight construction technologies, is taking over the business and the approximately 1,000 employees at both sites.

Sales negotiations for the RUAG Aerostructures site in Emmen were also finalized at the beginning of 2024. Pilatus Flugzeugwerke AG – a longstanding partner and customer – will ensure further development and gradually take over all of RUAG Aerostructures Switzerland Ltd's approximately 230 employees and all machinery.

In 2023, RUAG International thus succeeded in finding follow-up solutions for all areas of aerostructures that fulfil the strategic requirements of the owner, the Swiss Confederation, while also guaranteeing attractive future opportunities for employees and continuity for customers. The strategy of first investing in a transformation in each business area in order to put the entire business on a sustainable basis and position it as a valuable company in the market has proven to be effective.

The first part of Beyond Gravity's privatization process in 2023 also involved the partial sale of the company premises in Zurich-Seebach. They were sold to the City of Zurich for CHF 140 million and will be leased back in their entirety by Beyond Gravity until at least 2030.

Investing in the future of Beyond Gravity

The remaining segment, Beyond Gravity, continues to focus on the space market and technology for the semiconductor industry. The spotlight is on activities that help to make the lives of people all over the world better and easier.

In order to achieve the goal of a successful privatization by 2025 at the latest, Beyond Gravity is pursuing the same strategy that ensured the success of RUAG International's divestments: First, all divisions will be made fit for the future so that an attractive solution can then be found for investors, customers and employees.

The investments made in the expansion and modernization of production capacities in 2023 are particularly important for the future viability of Beyond Gravity. The foundations for new production halls and facilities were laid in 2023 at the US site in Decatur and in Linköping, Sweden (see pages 18–19). From 2024, they will provide the capacity increases required to handle the order volume for Amazon's Kuiper satellite constellation and for further growth in the New Space segment. The digitalized and largely automated processes will massively reduce production times.

At the same time, Beyond Gravity is investing in modern hybrid office infrastructures to improve the efficiency of development and back office processes as well as collaboration across national and business unit boundaries.

Standardized digital core for greater efficiency

We initiated the company-wide EZYone transformation project for the end-to-end digitalization of development, production and back office back in 2022 and pushed it ahead in 2023. EZYone standardizes processes, cleans up data and implements new, uniform IT platforms. This will make the company's digital core accessible worldwide in a flexible, cloud-based way. The standardization on a single platform will enable, among other things, the integration of all engineering processes from the initial idea through to design, production, supply chain management and quality control. In addition, there will be considerable savings in the maintenance and operation of only four instead of 22 solutions. (See also pages 20–23.)

Innovation & Digital Hub in Lisbon

The Innovation & Digital Hub in the Portuguese capital Lisbon, which opened in autumn 2023 and currently has around 60 employees, is to be expanded into a hub for around 200 digitalization and engineering specialists by 2025. They are already working closely with their colleagues at other locations to develop innovative solutions.

Strengthening the management team

As Chief Transformation & Strategy Officer, Caroline Schmitt has been providing the necessary impetus for Beyond Gravity's digital transformation since May 2023. She has more than 20 years' experience in the implementation of company-wide digitalization projects in a wide range of industries and is also a member of the Executive Board. She took over her role from Oliver Grossman, who has taken over the management of the Satellites division from Anders Linder, who has left the company. Laura-Kathrin Seitz joined the Beyond Gravity leadership team as Chief People Officer at the beginning of the year. She can look back on three decades in various HR management positions and brings a wealth of expertise in connection with growth, consolidation and transformation.

At the end of the year, the management team will therefore consist of André Wall (CEO), Paul Horstink (EVP Launchers Division), Oliver Grassmann (EVP Satellites Division), Oliver Kunz (EVP Lithography Division), Angelo Quabba (CFO), Caroline Schmitt (Chief Transformation & Strategy Officer) and Laura-Katrin Seitz (Chief People Officer).

Leading the way in responsibility

Beyond Gravity doesn't just want to help preserve the earth and make it a better place to live with its products and services. Sustainability is also becoming a central pillar of all company activities. A Group-wide ESG (Environmental, Social and Governance) initiative was launched in 2022. In 2024, Beyond Gravity will publish the first sustainability report for the year and will provide information on the current status, ongoing activities and the goals that have been set. The bar has been deliberately set high: The aim is to achieve "net zero" greenhouse gas emissions as early as 2026. (See pages 26–31.)

We are convinced that it is important to take responsibility, and that responsible behavior is also rewarded in many ways. Efficient use of resources reduces costs and drives innovation. A responsible company also attracts highly qualified specialists who want to see their personal values realised in their professional lives. ESG standards are also becoming increasingly important in the space industry and are often a decisive factor in project tenders.

Positive outlook on a solid foundation

Both the institutional and private space markets are likely to continue to grow strongly in the coming years. Innovative technologies and concepts such as reusable launchers and small-satellites are continuously reducing costs. In addition, the trend towards large satellite constellations is leading to an industrialisation of production processes and thus to further cost savings. Earth observation and satellite communication are thus becoming financially rewarding business instruments for more and more industries.

With the commissioning of the new production capacities in Decatur and Linköping and the gradual rollout of EZYone from 2024, Beyond Gravity will have a powerful basis to benefit from the expected growth in the industry. Beyond Gravity is aiming for a positive operating result in all three divisions in 2024. The company's focus remains on the transformation of all divisions into digitally networked and economically viable units.

We would like to thank our owner and our customers for their trust, which has enabled us to successfully place the divested business units on the market. We would also like to thank our employees for the great commitment with which they made the transformation a reality. Together with all of you, we look forward to ascending into the next economic orbit with Beyond Gravity. The sky is never the limit!

Dr. Remo Lütolf

Chairman of the Board
of Directors
RUAG International Holding

André Wall

CEO
RUAG International Holding
and Beyond Gravity

Beyond Gravity

2023 Management Report

Investments in production expansion and digital infrastructure mark Beyond Gravity's departure into the future as a leading supplier to the global space industry.

RUAG International's Space segment looks back on a challenging 2023. Despite impacts from inflation and supply chain issues, the space market experienced robust growth in 2023, driven by increasing commercial investment and technological advances. Demand for satellite launches and space missions rose sharply and private companies once again played a significant role. However, general economic factors, such as global financial market volatility and geopolitical tensions, were also felt in the space market.

Sales in 2023 increased by 8% to CHF 383 million (previous year: CHF 356 million). EBIT recovered from CHF –5 million to a black zero (CHF 0 million) while making massive investments in the expansion of production and digital infrastructure, thus laying the foundation for profitable growth. At CHF 408 million (CHF 439 million) and CHF 729 million (CHF 744 million) respectively, order intake and order backlog are both at a high level. The full order books thus ensure long-term production capacity utilization and allow us to look to the future with confidence.

Satellites division

The Satellites division employs around 750 people at sites in Switzerland, Sweden, Austria, the USA and Finland. The unit bundles all of Beyond Gravity's satellite activities and supplies mission-critical products for a wide range of satellite missions for commercial and institutional customers. With the exception of the propulsion system, all core elements of a satellite are offered: from the satellite structure, the on-board computer and other electronics to thermal protection, various mechanisms and slip rings.

The division offers first-class engineering, production expertise and capacities as well as project management for commercial and institutional customers, such as for the second generation of the European global satellite navigation system Galileo. In 2024, the division plans to grow further, invest significantly in research & development and further expand its existing sites. Oliver Grassmann has been in charge of the division since 2023. He took over in mid-May 2023 from Anders Linder, who left the company.

Launchers division

The Launchers division encompasses the development and production of composite structures and dispenser systems for launch vehicles. For decades, Beyond Gravity's payload fairings, interstage adapters, dispensers, payload adapters and separation systems have been the first choice for space companies such as Amazon, ArianeGroup, United Launch Alliance and many other space companies in Europe, the USA, Japan and Australia. The division has 630 employees in three countries: Switzerland (Emmen, Zurich), Sweden (Linköping) and the USA (Decatur).

For the Launchers division, 2023 was characterized by the development and expansion of the two sites in Linköping and Decatur. Production capacities at both sites are currently being doubled with a view to processing the orders secured in 2022 for Amazon's Kuiper satellite constellation. The commissioning of new production halls at both sites is planned for 2024; they should be running at full capacity from 2025. The division has been headed by Paul Horstink since 2022.

Lithography division

The Lithography division, with 240 employees and departments at the two sites in Zurich (CH) and Coswig (DE), manufactures high-precision actuators, mechanical assemblies and metrology and testing equipment for the nanometre-precise exposure of semiconductor wafers. These are used worldwide in machines for the production of microchips and thus form the basis for numerous high-tech applications such as in smartphones or in the field of artificial intelligence.

In 2023, the division continuously expanded its production capacity in close cooperation with its main customer Zeiss SMT. The highlight of the year was the expansion of the clean room in Zurich-Seebach by 135%. Further increases in production are also planned for 2024. The division has been headed by Dr Oliver Kunz since 2022.

New Digital & Innovation Hub in Lisbon

In autumn 2023, Beyond Gravity opened a new location in Lisbon. The Digital & Innovation Hub supports the divisions in their transformation and promotes innovation collaboration between the 14 locations. The development and planned expansion to 200 employees in 2025 will enable Beyond Gravity to tap into Portugal's attractive talent pool in the fields of engineering and digital technologies. Beyond Gravity will thus become the largest space company in Portugal.

Step into the digital future

During the reporting period, Beyond Gravity invested heavily in the company's digital transformation. The EZYone project aims to build a strong digital core for Beyond Gravity, harmonize processes, create a solid database and implement a uniform system landscape. These measures will enable smooth collaboration across different locations. They also create the basis to expand the company's digital expertise, foster innovation, strengthen employee loyalty, reduce administrative costs and lay the foundation for the increased use of artificial intelligence, machine learning, augmented reality and other forward-looking technologies. (See article on pages 20–23.)

Outlook

The market environment in the global space business continues to develop positively in view of the rising demand for rocket launches, the expansion of satellite infrastructure and increasing investment by commercial players. The main objective for Beyond Gravity in 2024 is to promote products and programmes that contribute to good profitability. Each of the three divisions is expected to be profitable in 2024. Investments will continue to flow into the digital transformation and the commissioning of the expanded production sites in Linköping and Decatur in 2024.

Key figures at a glance

Net Sales: CHF 383 million (previous year CHF 356 million) **EBIT:** CHF 0 million (previous year CHF –5 million)
Employees (FTE): 1619 (previous year 1638)
Countries: Switzerland, Sweden, USA, Austria, Germany, Finland, Portugal
Customers: Airbus Defence & Space, Amazon, ArianeGroup, Avio, Ball Aerospace, ESA, Maxar, Mitsubishi, NASA, Rocket Lab, Thales Alenia Space, United Launch Alliance, Zeiss SMT

RUAG Aerostructures

Management Report 2023

RUAG Aerostructures is setting important milestones in a challenging market environment. All shares in RUAG Aerostructures Germany & Hungary were sold to Mubea. Pilatus is to take over parts of RUAG Aerostructures Switzerland.

In the Aerostructures segment, net sales increased to CHF 240 million in 2023 (previous year: CHF 235 million). However, EBIT fell significantly from CHF 43 million to CHF –17 million. The result suffered from delivery delays in the international supply chains, changing customer requirements and production volumes as well as one-off expenses due to the divestment projects. Furthermore, the reversal of provisions and value adjustments in 2022 must also be taken into account.

The ongoing disruptions within the international supply chains were also felt by RUAG Aerostructures in 2023. Although to a much lesser extent than in previous years, the segment repeatedly experienced delivery delays on the part of suppliers, which had a negative impact on the entire production process. At the same time, RUAG Aerostructures was confronted with adjustments to order quantities and production processes, which in turn led to delays in some deliveries. In addition to these external factors, RUAG Aerostructures was also preoccupied throughout 2023 with the ongoing intensification of sales negotiations. The closing of the sale of RUAG Aerostructures Germany & Hungary to the Mubea Group was achieved at the end of December. The signing of the contract for the sale of RUAG Aerostructures Switzerland to Pilatus Flugzeugwerke took place in January 2024.

RUAG Aerostructures Germany & Hungary

RUAG Aerostructures Germany & Hungary mainly supplies Airbus with structural parts for the fuselage sections, the main landing gear bay and side shells for the A320 aircraft family. An average production rate of 55 units was expected at the beginning of the year. Because of cancellations by customers due to a lack of parts, the rate fell well below this mark at the beginning of the year, so that short-time working had to be introduced in February. The rate then jumped well above 55 in the summer and levelled off at the forecast rate of 55 at the end of the year. These fluctuations, accompanied by a persistent shortage of parts, are having a negative impact on production costs and the total order volume.

In July 2023, Airbus also announced that certain sections of the A320 family would no longer be manufactured by RUAG Aerostructures Germany & Hungary in the future. Despite the challenging conditions, RUAG Germany & Hungary was honored with the Airbus Supplier Award for Operational Excellence in 2023 for its outstanding performance.

Mubea takes over in Oberpfaffenhofen and Eger

An agreement was signed with Mubea for the business in Germany & Hungary in autumn 2023. In accordance with the strategic guidelines of the Swiss Federal Council, the final transfer of ownership took place at the end of December 2023. Mubea, a renowned German family business, is an innovative lightweight construction specialist with more than 14,000 employees at 50 production sites worldwide. Within Mubea, RUAG Aerostructures Germany & Hungary will become part of Mubea Aviation GmbH. Mubea has taken over all business activities and all of the approximately 1,000 employees.

RUAG Aerostructures Switzerland

RUAG Aerostructures Switzerland mainly manufactures aerostructures at the Emmen site for customers such as Boeing, GE, Pilatus and Saab. Due to reduced reliability and delivery dependability on the part of suppliers, changing customer orders and the suspension of individual programmes, the originally targeted increase in profitability could not be achieved. In addition, the delivery of parts to some customers was delayed due to external factors. The reintegration of the entire logistics organisation, which will return to the Emmen site in 2024, should lead to an improvement in the parts situation.

Pilatus takes over in Emmen

Preparations to find a new owner for RUAG Aerostructures Switzerland in Emmen were also intensive in 2023. In January 2024, RUAG Aerostructures Switzerland and Pilatus Flugzeugwerke AG reached an agreement on the sale of all machinery and the transfer of all employees. The contract with Pilatus was also signed in line with RUAG International's strategic objectives as set out by the Swiss Federal Council. The Emmen-based division has also been producing parts and components for Pilatus Aircraft since the early 1990s. These include the PC-21 fuselage and the horizontal stabilizer of the PC-12. In future, Pilatus Flugzeugwerke will only manufacture parts and components for its own aircraft at the Emmen site. Orders from third-party customers, which RUAG Aerostructures Switzerland has produced to date, will only be continued for a limited period.

Outlook

Due to the completed and ongoing divestment projects at both companies – RUAG Aerostructures Switzerland and RUAG Aerostructures Germany & Hungary – the future business development and direction will depend on the needs and plans of the new owners.

Figures at a glance
Net Sales: CHF 240 million (previous year CHF 235 million) **EBIT:** CHF –17 million (previous year CHF 43 million)
Employees (FTE): 226 (previous year 1,220)
Countries: Germany, Switzerland, Hungary
Customers: Airbus, Boeing, GE, Pilatus, Saab

Beyond Gravity at a glance

Advancing humankind and enabling the exploration of the world and beyond.

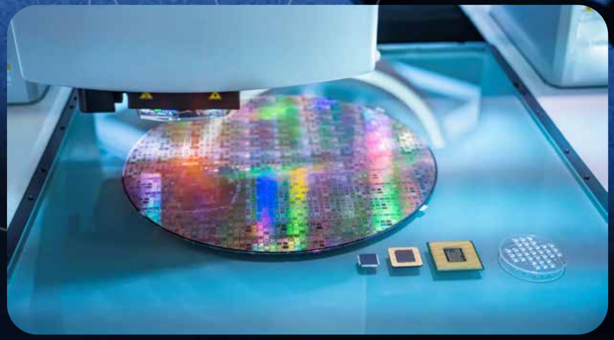
Beyond Gravity has been supplying products for hundreds of space missions for over 40 years. They all ultimately serve one goal: advancing humankind. We do so by working in the areas of satellite positioning and communications, providing instruments to collect satellite data that helps manage natural hazards, or working on satellites for better weather forecasting. We also help discover space, explore planets and countless other scientific missions. With our solutions we help our customers around the world make the impossible possible.

Headquartered in Zurich, Switzerland, Beyond Gravity is the first start-up minded company to combine agility, speed and innovation with decades of experience and proven quality. Beyond Gravity is the preferred supplier of structures for all types of launch vehicles – including the European Ariane and Vega rockets. Beyond Gravity is also a leader in selected satellite products as well as satellite constellations. The company is also a longstanding supplier of the lithography market.

From RUAG Space to Beyond Gravity
In 2022, the company changed its name from RUAG Space to Beyond Gravity. The new name and brand identity position the company more clearly in international markets and make our range of services even better known. It is also about expressing the new self-image of an agile company with a start-up mindset that is geared towards innovation and sustainable growth. All shares of the company are currently still held by the Swiss Confederation. The latter has decided to privatize Beyond Gravity by the end of 2025 at the latest. Once the sale has been completed, the current owner will no longer hold any shares in the company.

Three divisions
Beyond Gravity consists of three divisions. The Launchers division manufactures payload fairings for various European, American and Japanese launch vehicles, amongst other things. The Satellites division supplies almost all the core elements of a satellite – from the structure to the on-board computer and the antenna. And the Lithography division manufactures special actuators and apertures which are used for the nanometre-precise exposure of wafers (semiconductor silicon substrate). The divisions are supported by three lean enabling functions: Finance, People & Culture and Transformation & Strategy.

Seven countries, 14 locations
Around 1,600 employees at 14 locations in seven countries (Switzerland, Sweden, Austria, Germany, USA, Finland and Portugal) generate sales of around CHF 383 million (2023).



beyond gravity

Our story on video.

Investing into the future

The sites in Linköping (Sweden) and Decatur (USA) are being massively expanded with production capacity to double at both locations. New production facilities with state-of-the-art equipment and processes are being built to supply key elements for Amazon's Kuiper satellite constellation project.

In September 2021, Beyond Gravity secured a major contract from Amazon for the development and manufacture of satellite dispensers for the Kuiper project, which aims to provide affordable high-speed broadband connections around the world. To accommodate this major order, Beyond Gravity decided to build a modern new production plant in Linköping. The new facility is equipped with the state-of-the-art Automated Fiber Placement technology that significantly simplifies and shortens the production of structures for satellite dispensers.

Beyond Gravity's second major expansion concerns its Decatur site: Amazon has secured 83 rocket launches for the launch of its 3,236 Kuiper satellites – including with our partner United Launch Alliance (ULA). On behalf of ULA, Beyond Gravity will manufacture the payload fairings, the interstage adapters, the payload adapter fittings and the heat shields for their new Vulcan Centaur launch vehicle, which will transport numerous Kuiper satellites into space. Due to the large order volume, the company will inaugurate a new plant in 2024. The plant will be able to produce up to 25 payload fairings (50 half-shells) per year, which is twice the current capacity.

The opening of both production facilities is planned for 2024. Capacity then will be continuously increased in order to reach full capacity by 2025.

Key Facts Linköping:
Area: 17,300 m^2
Hook height: 10–12 meters
Warehouse: 1,777.6 m^2
Office space: 4,900 m^2
Employees: up to 350
Capacity: up to 25 satellite dispensers per year
Improvement in throughput time: factor 2
Completion: 2024

Three questions for Cristina Lorenzetti, VP Safety, Quality, Industrialisation and Testing

Why do we need new manufacturing facilities in Decatur and Linköping?
In order to move to high-volume production, we need to adapt and optimize our manufacturing processes and technologies and evolve our product design accordingly: we are therefore investing in state-of-the-art material flow at both sites, which requires a completely different layout of the production floor.

What technological innovations are being used?
In Linköping, we work with Automatic Fiber Placement, which we use to produce the cylindrical carbon fiber base structures for the satellite dispensers. With all the optimisations, we have reduced the production time by more than 50 percent compared to the current process. In Decatur, we have improved many machines, such as the horizontal integration station and non-disruptive inspection, which have allowed us to save up to 50 percent of the total throughput time.

What about sustainability?
Environmental sustainability is an integral part of both construction projects. Approximately 15 % of the total energy consumption of the new facility in Linköping will be generated by solar panels on the roof. In addition, the new office building will be certified by the Swedish authorities as "Green Building Level Silver", which ensures that the building meets the strict requirements in terms of energy consumption, materials used and indoor climate. In addition to being powered by 100 % renewable energy, the new production facility in Decatur incorporates numerous energy-saving measures, including energy-efficient heating and cooling, variable-speed motors for compressed air and vacuum systems as well as LED lighting.

Key Facts Decatur:
Area: 23,225 m^2
Hook height: 16.8 meters
Warehouse: 3,716 m^2
Office space: 2,787 m^2
Employees: up to 200
Capacity: up to 25 payload fairings per year (50 half shells)
Improvement in throughput time: factor 2
Completion: 2024

Beyond Gravity invests in a digital future.

Beyond Gravity is actively advancing its efforts to position itself as a Digital First company that will leverage technologies such as artificial intelligence (AI), generative design, intelligent automation and various other emerging technologies going forward. A key focus area is reinforcing a shared digital core, fostering seamless connections across locations, business units, and enabling functions. This modern digital core will provide a foundation from which substantial value and innovation can be delivered to Beyond Gravity's customers, suppliers and employees.

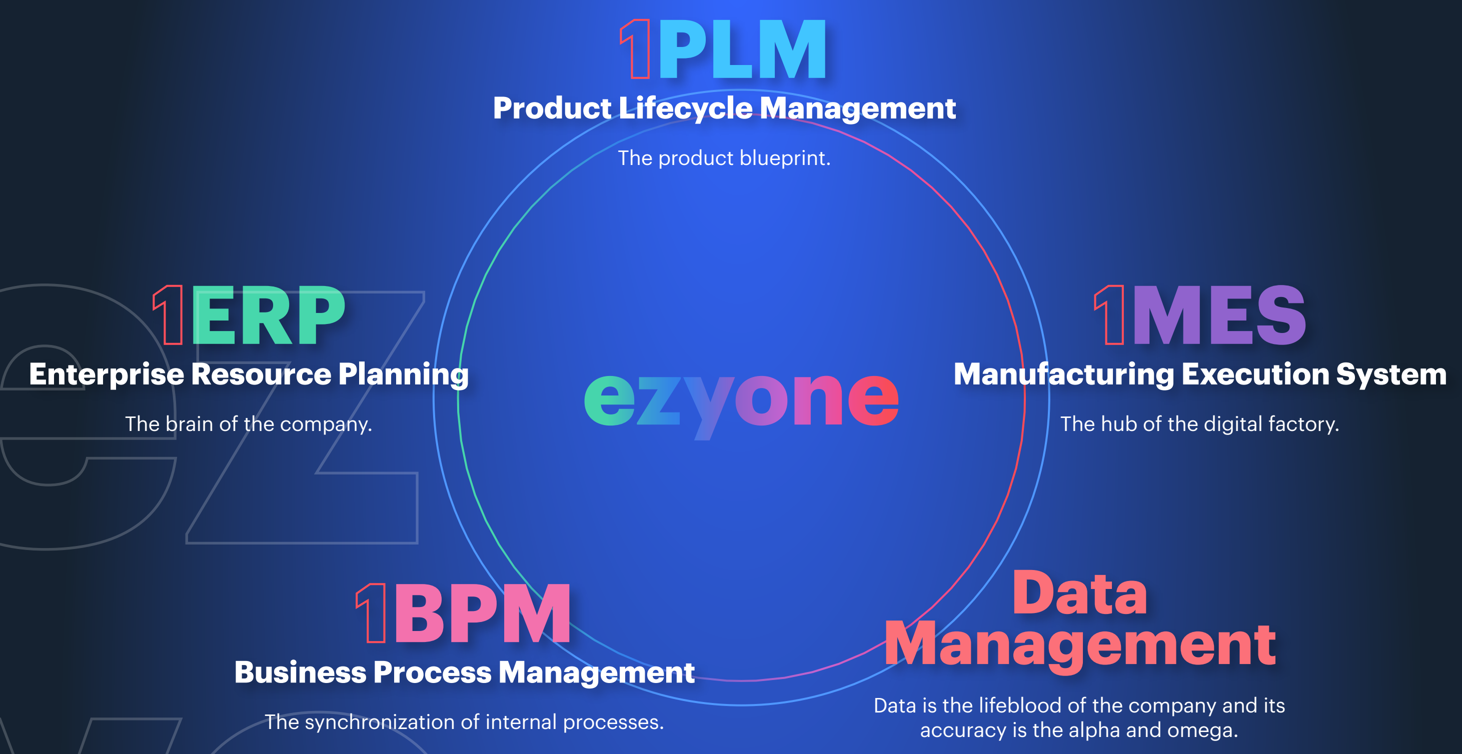
While Beyond Gravity only began operating under its new name in May 2022, adopting a start-up mindset, it has decades of experience in the space industry. However, the industry is currently undergoing a major change and shift toward a commercialized market. This leads to a stronger focus on speed, higher volumes and lower costs. With Beyond Gravity's privatization planned by the end of 2025, the digital transformation program, called EZYone, will ensure that the company is positioned for the future and operationally excellent. Beyond Gravity is committed to staying competitive in this dynamic industry by taking a digital approach.

Beyond Gravity's digital world so far
Beyond Gravity has historically grown from various companies and locations. Each of the company's business divisions has built up its own vast pool of expertise over the years. But when it comes to IT and the digital landscape, the company's colorful history means it is now operating with a mix of legacy systems – comprising five "Business Process Management" systems (BPMs), seven "Enterprise-Resource-Planning" tools (ERPs), eight "Product Lifecycle Management" tools (PLMs) and two "Manu-facturing Execution Systems (MES) – and, thus, an array of complex, inefficient, and costly processes.

With numerous systems in a scattered digital environment, the organization faces issues such as reliability of data, lack of transparency for customers, complicated data exchange procedures across different countries and an outdated IT infrastructure burdened by technical debt.

"The EZYone initiative is important because it lays the foundation for our future success. It enables us to be more responsive to our customers' needs, it creates transparency, and enables us to run a modern and competitive business. Our goal is to become a company that is trusted by both customers and employees, and a great place to work, where we deliver outstanding products and exceptional experiences."

Caroline Schmitt
Chief Transformation & Strategy Officer



"Our digital transformation makes our jobs more attractive, as processes can be handled more efficiently and collaboration – even across national borders – becomes easier. In addition, our employees acquire valuable skills that are essential in the increasingly digital working world of the 21st century."

Laura-Katrin Seitz
Chief People & Culture Officer

Beyond Gravity's path to success and the digital future
Beyond Gravity has made significant investments into its future as a unified and digital company. Through the digital transformation initiative EZYone, the organization is focusing on building a robust digital core designed to establish seamless connections across all locations, business units, and enabling functions.

By introducing state-of-the-art and unified systems across the whole organization, the digital transformation is poised to optimize product lifecycle management, resource allocation, and production processes, ultimately leading to streamlined and more efficient operations. Upon successful implementation, the company anticipates reaping the rewards of integrated systems, elevating digital capabilities, empowering its workforce, alleviating administrative burdens, and furnishing cutting-edge tools for engineering and production teams.

The new systems will be rolled out first in Sweden. As part of its strategic vision, Beyond Gravity is aiming for a comprehensive system roll-out at all its locations and business units by the end of 2024.

EZYone aligns with the company's long-term vision
EZYone is important because it lays the foundation for Beyond Gravity's future success. It enables the company to be more responsive to its customers' needs, it creates transparency, and enables the company to run a modern and competitive business.

These considerations hold significance for potential future owners, as they contribute to the valuation of the company and instill confidence in prospective buyers regarding Beyond Gravity's status as a growth-oriented enterprise. The overarching objective is to evolve into a company esteemed by both customers and employees, establishing itself as an exceptional workplace committed to delivering outstanding products and experiences.

ezyone

EZYone – Beyond Gravity's digital transformation
As the name of the program implies, it's about making things "easier". Beyond Gravity has grown from different companies and locations in the past. As a result, different locations are using different IT systems that are not connected to each other. This hinders effective and efficient collaboration on a global level. Beyond Gravity has therefore started the EZYone program, embarking on a digital journey to consolidate all major IT systems within the company and to build a shared digital core.

Innovating for tomorrow

Beyond Gravity manages innovation projects using a holistic approach that includes cross-divisional activities as well as initiatives boosted by each division to enhance its product portfolio and competitiveness. Cross-divisional innovation is centered around the topics of AI applications, digital twins, and identifying new business models.

The selection and management of cross-divisional innovation activities within Beyond Gravity is steered and monitored by a cross-divisional committee with representatives from the divisions, Finance, IT and People & Culture. The goal is to initiate and promote projects that improve the company's capabilities regarding market developments and trends and increase efficiency, profitability and sustainability. Several focus areas have been determined for the coming months, and targeted projects are initiated and monitored based on a milestone-driven approach. Beyond Gravity also works with various partners from universities, public entities like the European Space Agency (ESA) as well as startups. In addition, each division funds its own internal R&D activities to maintain Beyond Gravity's competitive advantages and maintain its leading position in the market.

Living innovation
Beyond Gravity actively nurtures an innovative mindset and regularly organizes internal innovation competitions for its engineers. The so-called Space Race, which includes solving specific technical challenges, has a long tradition. In 2023, engineers from different sites and divisions spent over two months developing concepts for new locking mechanisms for reusable payload fairings. In the Lithography division, an innovation competition was also held with the aim of promoting new ideas in technology for the semi-conductor market and creating an environment of innovation and creativity. Some of these ideas, such as flexible hinges, unified data structures or VR training, are now being further pursued internally in dedicated R&D projects.

In the Launchers division, particularly in the area of large composite structures like payload fairings, innovative approaches are constantly being explored to align projects with future needs of customers, to develop new products, or to improve existing products or processes. Particular attention is paid to cost reduction, design simplification to improve profitability and adaptations to new customers or product requirements. In the following, two of these activities are showcased in more detail: Automated Fiber Placement (AFP) on the one hand and our contribution to ESA's Future Launchers Preparatory Program (FLPP) on the other.

Automated Fiber Placement for payload fairings
The current manufacturing processes for our launch vehicle structures are largely based on the manual placement of carbon fiber pre-impregnated textiles. The idea of automating this process (Automated Fiber Placement; AFP) is not entirely new as Beyond Gravity has applied the AFP technology at its Linköping site to produce satellite dispensers, and it has been used in the aircraft industry for years. This approach is becoming increasingly attractive, and the significant up-front investment involved is justified by the large commercial customer orders in 2022 and 2023, the expected capacity requirements, and the need to increase production rates to meet customer demands for shorter lead times and cost reductions. Production trials and feasibility assessments are currently underway to assess the automated production of composite sandwich structures.

flpp

Future Payload Fairings
In the framework of ESA's Future Launchers Preparatory Program (FLPP), Beyond Gravity is working on a Health Monitoring System (HMS) for launch vehicle structures. The aim is to provide a detailed real-time representation of various environmental parameters of the structure (e.g. strain, temperature, pressure, acceleration) during its entire life cycle, i.e. from production and testing to the actual mission to the refurbishment for reuse of the structure. We are currently developing a functional system that evaluates environmental conditions during flight and will be applied and tested into a demonstrator on a representative scale.

As part of the FLPP, Beyond Gravity is also working on the development and improvement of a new separation system for future medium-sized fairings. This is done in collaboration with RevoAI – a promising young company from Beyond Gravity's start-up startup program. Specifically, RevoAI supports Beyond Gravity in the assessment of the benefits of artificial intelligence for the development of space structures.

Launchpad program – a look into the future
In October 2022, Beyond Gravity launched its own startup incubator program called Launchpad. Over the past few months, many young companies have worked with Beyond Gravity's experts on exciting and promising projects. Those collaborations have resulted in valuable projects, for example with RevoAI (see main text) or with Gate Space in the field of propulsion systems for satellites. Also, the collaboration with the IT startup Side Effects resulted in a long-term cooperation. Its Digital 3D Twin Platform makes it much easier to create comprehensive 3D documentation and has already been implemented in Beyond Gravity's lithography production processes. In the future, the Launchpad program will be further integrated into Beyond Gravity's holistic innovation management process.

Reusable payload fairing
An innovative concept from Beyond Gravity for reusable payload fairings promises to revolutionize space launches: After releasing the second stage with the payload, the fairing can be closed again, returns to Earth with the first stage of the launcher and can be reused – significantly reducing costs and the use of carbon-intensive raw materials.

The journey towards a more sustainable future

Standing at the forefront of innovation, technology and discovery, Beyond Gravity is committed not only to advancing humankind, but to ensuring that this mission is undertaken in a responsible and sustainable manner. In an era marked by growing environmental concerns, Beyond Gravity is embarking on a journey towards a more sustainable future.

Beyond Gravity has put environmental, social, and corporate governance (ESG) considerations at the top of its agenda based on the belief that there is an inextricable link between the company's economic success and its responsibility to the planet and the people around us. A comprehensive ESG project provides a systematic overview of where the company stands in terms of ESG and how the issues can be addressed in a strategic way. Following a thorough ESG materiality analysis, Beyond Gravity will publish its first comprehensive sustainability report based on the GRI reporting standard in 2024. The report will elaborate on the issues most relevant to our business operations and set out our strategy to address them.

"The space market continues to grow and the number of satellites will double in the coming years. Therefore, our commitment to sustainable business and innovations such as reusable payload fairings is more important than ever for the long-term well-being of our planet. We see sustainability not only as an obligation, but also as an opportunity to become more competitive, develop innovative products and services and enter new markets. products and services and to break into new markets."

Executive Committee Beyond Gravity
www.beyondgravity.com/en/about/executive-board

Strategic focus areas

Recognizing that Beyond Gravity's operations have an impact on the environment, the company has identified three strategic key topics. They will serve as the focal point for concrete actions as Beyond Gravity moves toward more sustainable business practices.

Key topic 1: Climate change and carbon emissions

Beyond Gravity is committed to reducing its own greenhouse gas emissions and thus make a contribution to climate change. To this end, the company is taking various measures in the coming three years and commits to net zero greenhouse gas emissions within its own operations by 2026, as outlined in our decarbonization roadmap.

Key topic 2: Energy efficiency and sourcing

By optimizing energy efficiency and sourcing, Beyond Gravity aims to mitigate rising energy prices and dependencies, commit to renewable energy, and gradually phase out the use of fossil fuels.

Key topic 3: Responsible sourcing

Beyond Gravity works closely with its own suppliers, in particular to implement laws and its own guidelines in relation to human rights issues. Therefore, the company supports, monitors, evaluates and engages suppliers to commit to its ESG principles and goals.

Materiality analysis: Beyond Gravity's most significant ESG levers

An ESG materiality analysis is a process by which a company identifies and prioritizes its most important ESG issues.

Relevant criteria typically include environmental, social, corporate governance, financial, reputational, and legal and regulatory impacts. The decision on which ESG factors to consider as material to Beyond Gravity was based on a combination of internal and external assessments involving employees and management, investors, customers, as well as industry and sustainability experts.

The results of Beyond Gravity's analysis have shown that the most significant ESG levers are in the environmental area, where the company will focus as a first step, as reflected in the three strategic key topics identified above. These will be complemented by additional measures, including in the social and governance area. Beyond Gravity's material ESG topics are the following:

Climate change & energy
To address the challenges of climate change, Beyond Gravity is committed to decarbonizing and achieving net-zero emissions in the operational area within a few years.

Privacy & cybersecurity
Beyond Gravity recognizes the importance of significant investments to enhance IT security, data protection, and privacy, safeguarding our information assets.

Business conduct
The company's commitment to ethical business conduct is reflected in its established set of codes, policies, regulations, and supporting documentation, ensuring the highest standards in our operations.

Occupational health & safety
Prioritizing the well-being of employees, Beyond Gravity adheres to appropriate occupational health and safety standards and regulations, fostering a secure work environment.

Equal treatment and opportunities
Creating a diverse and inclusive workplace is Beyond Gravity's priority, promoting equal opportunities for all employees, which not only enhances the company's appeal as an employer but also sparks innovation and improves business outcomes.

Working conditions
Compliance with regulations and standards is paramount to ensuring optimal working conditions that positively impact employee productivity, preventing potential investigations and fines.

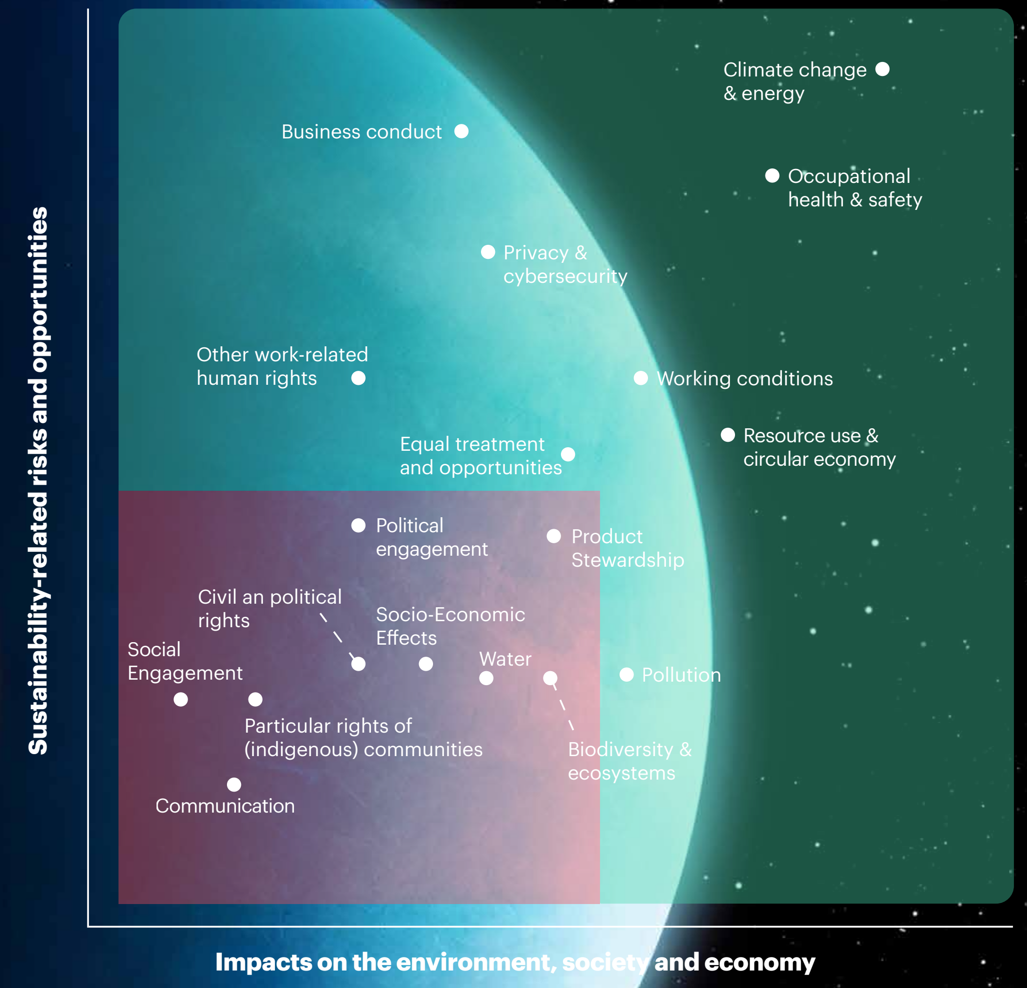
Other work-related human rights
Beyond Gravity holds its business partners and suppliers accountable for respecting work-related human rights, emphasizing transparency to identify and mitigate potential risks.

Use of resources & circular economy
The company commits to promoting waste management and recycling, which aligns with Beyond Gravity's dedication to environmental responsibility, benefiting communities and enhancing credibility and reputation.

Pollution
Beyond Gravity is actively minimizing the use of harmful substances and working to reduce pollution associated with raw material extraction.

All the material topics will be fully reported on and given special attention in the upcoming sustainability report, including defining Beyond Gravity's strategy, setting key performance indicators (KPIs) and targets, and identifying implementation and risk mitigation measures.

Beyond Gravity's materiality matrix: it classifies all ESG issues into two groups, material (green) and non-material (red) topics.



Beyond Gravity's decarbonization roadmap

Given the undeniable urgency to address climate change and reduce greenhouse gas emissions, Beyond Gravity committed to minimizing, mitigating and ultimately eliminating the negative impact of its minimizing.

Beyond Gravity's very first decarbonization roadmap and net zero commitment, outlines the company's initial strategy to achieve a carbon-neutral footprint within its own operations by 2026. It provides an overview of current greenhouse gas emissions, the actions the company is taking to reduce them, and the plans to offset the remaining emissions. The road-map is based on Beyond Gravity's belief that the path to net zero emissions is not just a technical endeavor – it is the beginning of a cultural shift, a rethinking of how the company operates, innovates and grows, putting sustainability at the center of its decision-making processes. With its efforts, Beyond Gravity also hopes to inspire positive change throughout the space industry.

Our carbon footprint

Beyond Gravity estimates that its total annual greenhouse gas emissions amounted to approximately 116'330 tonnes of CO_2-equivalents (tCO_2-eq) in 2022. This roughly corresponds to the average emissions of around 80,000 combustion engine cars per year. The majority of the company's emissions originate from activities in its value chain. Emissions from direct operations amounted to about 1,350.8 tCO_2-eq. For near-term targets in the coming three years, Beyond Gravity will focus on reducing the emissions within its own operations, referred to as Scope 1 and Scope 2 emissions. These represent a small proportion of the company's total emissions, but they are the ones that are under its direct control. As a company at the beginning of its net zero journey, Beyond Gravity decided to focus its efforts through 2026 on eliminating these emissions as a first step.

Scope 1 includes emissions that are directly emitted at Beyond Gravity's facilities, such as the combustion of natural gas, and the fuel used by our company vehicles.

Scope 2 refers to indirect emissions generated through purchased electricity, steam, heating and cooling for the company's own use.

Scope 3 comprises indirect upstream and downstream emissions across the value chain outside of Beyond Gravity's own operations, such as from purchased goods or transportation.

Beyond Gravity's actions and commitment towards net zero emissions

Beyond Gravity is committed to preserving the environment for future generations. Its decarbonization roadmap outlines a series of actions designed to provide a pathway that focuses primarily on eliminating emissions.

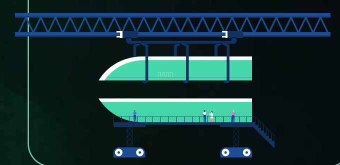
Beyond Gravity commits to reduce and compensate its absolute Scope 1 and Scope 2 greenhouse gas emissions by 100% by 2026 from the base year of 2023.

Beyond Gravity's approach to eliminating its Scope 1 and 2 emissions until 2026 has four main pillars. The primary goal is to gradually replace fossil fuel energy sources with electric equivalents and to meet all energy needs from renewable sources at all sites – including on-site energy generation, purchasing green energy and replacing our company cars with electric vehicles.

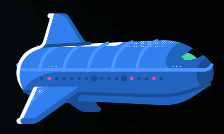
Further emission reductions will be achieved by optimizing our energy consumption. This includes measures such as improving building shells, using LED lighting systems, or recalibrating heating and cooling systems. The efficient use of energy by employees also makes a significant contribution to reducing overall energy requirements. Through internal communications and on-site training, Beyond Gravity raises awareness among employees.

Like any manufacturing company, Beyond Gravity will not be able to completely avoid emissions from its own operations. As a measure of last resort to neutralize residual emissions, the company will support projects that reduce greenhouse gas emissions or remove carbon from the atmosphere.

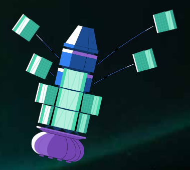
Decarbonizing electricity
Switching to renewable energy sources, either through on-site generation or the procurement of green energy.



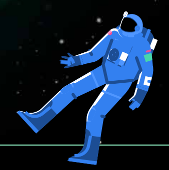
Electrification
Replacing fossil fuel energy sources, such as gas heating, with electrically powered equivalents, such as heat pumps or electric vehicles.



Maximizing energy efficiency
Optimizing building infrastruc-ture, systems and equipment to foster energy conservation.



Neutralizing residual emissions
Supporting projects that miti-gate GHG emissions or remove carbon from the atmosphere.



On the way to net-zero emissions

As Beyond Gravity is still at the beginning of its journey to net zero, the initial focus is on ambitious reductions in emissions from own operations. But that does not mean the company is turning a blind eye to Scope 3 emissions from its extended value chain. Beyond Gravity supports ambitious action to address climate change and will continue to work with others to reduce emissions that are not currently covered by our commitment, including responsible sourcing and monitoring, evaluating, and working with suppliers on CO_2 reduction targets.

Financial Statements

Overview of key figures

in CHF m	2023	2022
Order intake	651.1	1043.2
Order backlog	770.2	1013.1
Net sales	620.0	944.7
Operating income	631.6	990.8
Cost of materials and purchased services	(244.3)	(369.3)
Personnel expenses	(303.6)	(424.7)
Other operating income	77.3	189.8
Other operating expenses	(129.4)	(187.8)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	31.6	198.8
EBITDA in % of net sales	5.1%	21.0%
Earnings before interest and taxes (EBIT)	28.1	177.9
EBIT in % of net sales	4.5%	18.8%
Net profit	0.5	154.3
Net profit in % of net sales	0.1%	16.3%
Cash flow from operating activities	(23.7)	(64.1)
Cash flow from investing activities	112.2	535.7
Free cash flow	88.5	471.6
Cash flow from financing activities	(198.9)	(2.9)
Equity attributable to the RUAG International shareholder	490.8	686.4
Equity in % of total assets	53.0%	62.1%
Return on equity[1]	0.1%	26.0%
Depreciation, amortisation and impairment	3.4	20.9
Research and development expenses[2]	10.9	18.1
in % of net sales	1.8%	1.9%
Net sales per employee (in CHF thousands)	206	197
Added value per employee (in CHF thousands)	118	120
Employees (FTE) as at 31 December incl. apprentices	1989	2963
Number of employees (average FTE for year, incl. apprentices)	3012	4801
Number of registered shares (nominal CHF 100)	2179000	2179000
Earnings per registered share	0.24	70.80
Paid dividend per registered share[3]	68.84	91.79
Distribution ratio	28702.3%	129.6%
Book value per registered share in CHF	225	315

[1] Net profit as a percentage of average equity.
[2] Includes the self-financed research and development expenses that were incurred during the year under review at the company's own risk and recognised as expenses.
[3] Expected dividend 2023 as proposed by the Board of Directors: CHF 150 million

On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged with BGRB Holding Ltd on 8 June 2022, with retroactive effect from 1 January 2022, following distribution of the dividend in kind. The merged company was renamed RUAG International Holding Ltd at the same time. The content of the consolidated financial statements presented in the comparative period of 2022 corresponds to that of the previous RUAG International Group, although BGRB Holding Ltd is the legal surviving company.

Five-year overview[1]

in CHF m	2023	2022	2021	2020	2019
Order intake	651.1	1043.2	1424.3	1214.2	1892.7
Order backlog	770.2	1013.1	1190.8	1168.5	1634.2
Net sales	620.0	944.7	1239.9	1181.3	2003.1
Earnings before interest and taxes (EBIT)	28.1	177.9	70.2	(223.8)	(7.4)
EBIT in % of net sales	4.5%	18.8%	5.7%	(18.9%)	(0.4%)
Net profit (loss)	0.5	154.3	58.3	(218.7)	(25.0)
Net profit (loss) in % of net sales	0.1%	16.3%	4.7%	(18.5%)	(1.2%)
Cash flow from operating activities	(23.7)	(64.1)	84.8	18.8	132.5
Cash flow from investing activities	112.2	535.7	(76.6)	(74.1)	2.8
Free cash flow	88.5	471.6	8.2	(55.3)	135.3
Cash flow from financing activities	(198.9)	(2.9)	(59.7)	(23.8)	(109.3)
Equity attributable to the RUAG International shareholder	490.8	686.4	502.5	462.7	1028.5
Equity in % of total assets	53.0%	62.1%	44.9%	36.9%	55.1%
Return on equity[2]	0.1%	26.0%	12.1%	(38.4%)	(2.4%)
Research and development expenses[3]	10.9	18.1	27.6	26.9	41.6
in % of net sales	1.8%	1.9%	2.2%	2.3%	2.1%
Employees (FTE) as at 31 December incl. apprentices	1989	2963	6145	6299	9091
Number of employees (average FTE for year, incl. apprentices)	3012	4801	6206	6476	9157

[1] On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged into BGRB Holding Ltd on 8 June 2022, after distribution of the dividend in kind, with retroactive effect from 1 January 2022. The merged company was renamed RUAG International Holding Ltd at the same time. The content of the consolidated financial statements presented in the comparative periods 2019–2022 corresponds to that of the previous RUAG International Group, although BGRB Holding Ltd is the legal surviving company.
As at the end of April 2020, the business activities of RUAG MRO Switzerland were transferred to RUAG MRO Holding Ltd under the umbrella of BGRB Holding Ltd with retroactive effect from 1 January 2020 as a result of the RUAG split (unbundling). The MRO Switzerland business segment formed a separate sister group as of 1 January 2020 and has since no longer been included in the consolidated financial statements of RUAG International Holding Ltd. The comparative periods 2019 and 2020 have not been restated.
[2] Net profit as a percentage of average equity. For the calculation in 2020, the unbundling effect on equity as at 31 December 2019 was taken into account.
[3] Includes the self-financed research and development expenses that were incurred during the year under review at the company's own risk and recognised as expenses.

Consolidated income statement, 1 January to 31 December

in CHF m	Note	2023	2022
Net sales	6	620.0	944.7
Own work capitalised		2.9	5.7
Changes in inventories and work in progress		8.8	40.4
Operating income		631.6	990.8
Cost of materials and purchased services		(244.3)	(369.3)
Personnel expenses	7	(303.6)	(424.7)
Other operating income	8	77.3	189.8
Other operating expenses	8	(129.4)	(187.8)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		31.6	198.8
Depreciation and impairment of property, plant and equipment	17	(3.2)	(18.6)
Amortisation and impairment of intangible assets	18	(0.2)	(2.3)
Earnings before interest and taxes (EBIT)		28.1	177.9
Financial income	10	9.2	2.9
Financial expenses	10	(8.3)	(7.0)
Earnings before tax		29.0	173.7
Income taxes	11	(28.5)	(19.4)
Net profit		0.5	154.3

The notes to the consolidated financial statements on pages 40 to 73 form an integral part of the consolidated financial statements.

Consolidated balance sheet as at 31 December

in CHF m	Note	2023	2022
Cash and cash equivalents	12	457.0	570.3
Current financial assets	13	6.0	5.5
Trade receivables	14	54.1	84.2
Prepayments to suppliers	14	5.0	6.5
Other current receivables	14	8.4	8.7
Tax assets		2.4	4.3
Prepaid expenses and accrued income		7.7	17.1
Inventories and work in progress	15, 16	260.6	271.5
Current assets		801.3	968.1
Property, plant and equipment	17	111.0	128.3
Intangible assets	18	12.4	5.7
Non-current financial assets	13	0.4	0.5
Deferred tax assets	11	0.5	3.0
Non-current assets		124.3	137.5
Total assets		925.6	1105.6
Current financial liabilities	19	0.2	5.7
Trade accounts payable	20	27.2	39.7
Prepayments from customers	20	193.5	147.9
Other current liabilities	21	11.9	15.3
Tax liabilities		11.3	6.3
Deferred income and accrued expenses	23	103.8	113.2
Current provisions	24	20.3	27.5
Current liabilities		368.2	355.5
Non-current financial liabilities	19	0.1	0.2
Other non-current financial liabilities	22	0.2	0.4
Employee benefit obligations	25	23.3	22.7
Non-current provisions	24	35.0	31.1
Deferred tax liabilities	11	8.0	9.2
Non-current liabilities		66.6	63.6
Share capital	26	217.9	217.9
Capital reserves		378.0	578.0
Retained earnings		8.9	8.4
Offsetting of goodwill		(62.8)	(62.8)
Other reserves		(6.4)	(9.3)
Foreign currency translation adjustments		(44.8)	(45.8)
Total equity		490.8	686.4
Total liabilities and equity		925.6	1105.6

The notes to the consolidated financial statements on pages 40 to 73 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows, 1 January to 31 December

in CHF m	Note	2023	2022
Net profit		0.5	154.3
Depreciation, amortisation and impairment	17, 18	3.4	20.9
Change in non-current provisions and deferred taxes		9.1	(0.5)
Use of non-current provisions		(4.6)	(4.1)
Other non-cash changes		2.0	1.1
Change in net working capital[1]		34.4	(109.8)
Gain on disposal of non-current assets incl. investments		(67.6)	(129.0)
Financial income	10	(9.3)	(2.6)
Financial expenses	10	8.3	5.6
Cash flow from operating activities[2]		(23.7)	(64.1)
Capital expenditures for movable plant and equipment	17	(23.5)	(17.9)
Capital expenditures for immovable property, plant and equipment	17	(24.2)	(18.0)
Capital expenditures for intangible assets	18	(7.6)	(4.8)
Acquisition of business operations	4	—	(1.8)
Disposal of plant and equipment		0.2	0.1
Disposals of property, plant and equipment		102.7	0.2
Disposal of intangible assets		0.0	—
Disposal of investments less cash and cash equivalents disposed of	4	64.5	578.0
Cash flow from investing activities		112.2	535.7
Free cash flow		88.5	471.6
BGRB merger[3]		—	2.1
Decrease in financial assets		0.1	0.1
Repayment of current financial liabilities		—	(0.2)
Lease instalments paid under finance leases		(0.0)	—
Financial income received		9.3	2.6
Financial expenses paid		(8.3)	(5.6)
Dividends paid to shareholders		(200.0)	(1.9)
Cash flow from financing activities		(198.9)	(2.9)
Change in cash and cash equivalents before foreign currency translation adjustments		(110.4)	468.7
Cash and cash equivalents at beginning of period		570.3	106.1
Foreign currency translation adjustments in respect of cash and cash equivalents		(2.8)	(4.5)
Cash and cash equivalents at end of period		457.0	570.3

[1] Excludes current financial assets, current financial liabilities and other non-current liabilities.
[2] Including income taxes of CHF 21.6 million paid in the year under review (previous year: CHF 1.7 million).
[3] On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged into BGRB Holding Ltd on 8 June 2022, after distribution of the dividend in kind, with retroactive effect from 1 January 2022. The merged company was renamed RUAG International Holding Ltd at the same time.

The notes to the consolidated financial statements on pages 40 to 73 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

in CHF m	Share capital	Capital reserves	Retained earnings	Offsetting of goodwill	Other reserves	Foreign currency translation adjustments	Total equity
Balance as at 1 January 2022	340.0	9.5	299.3	(84.8)	(8.8)	(52.6)	502.5
BGRB merger[1]	(122.1)	570.4	(445.2)	—	—	—	3.1
Net profit	—	—	154.3	—	—	—	154.3
Recognised in profit or loss due to disposal[2]	—	—	—	22.1	—	19.2	41.2
Change in fair value of cash flow hedges	—	—	—	—	(14.7)	—	(14.7)
Gains and losses from cash flow hedges transferred to profit or loss	—	—	—	—	14.3	—	14.3
Foreign currency translation adjustments of foreign subsidiaries	—	—	—	—	—	(12.3)	(12.3)
Dividends paid	—	(1.9)	—	—	—	—	(1.9)
Balance as at 31 December 2022	217.9	578.0	8.4	(62.8)	(9.3)	(45.8)	686.4
Balance as at 1 January 2023	217.9	578.0	8.4	(62.8)	(9.3)	(45.8)	686.4
Net profit	—	—	0.5	—	—	—	0.5
Recognised in profit or loss due to disposal[2]	—	—	—	—	—	3.4	3.4
Change in fair value of cash flow hedges and losses	—	—	—	—	2.4	—	4.0
Gains and losses from cash flow hedges transferred to profit or loss	—	—	—	—	0.4	—	(1.2)
Foreign currency translation adjustments of foreign subsidiaries	—	—	—	—	—	(2.4)	(2.4)
Dividends paid	—	(200.0)	—	—	—	—	(200.0)
Balance as at 31 December 2023	217.9	378.0	8.9	(62.8)	(6.4)	(44.8)	490.8

[1] On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged into BGRB Holding Ltd on 8 June 2022, after distribution of the dividend in kind, with retroactive effect from 1 January 2022. The merged company was renamed RUAG International Holding Ltd at the same time.
[2] The cumulative translation differences as well as minority interests were derecognised from equity and form part of the gain on disposal.

In the year under review, a dividend of CHF 200.0 million (previous year: CHF 1.9 million) was paid to the shareholder of RUAG International Holding Ltd. This corresponds to a dividend per share of CHF 91.79 (previous year CHF 0.89).

The notes to the consolidated financial statements on pages 40 to 73 form an integral part of the consolidated financial statements.

This financial report is a translation of the original German version. In case of any inconsistency the German version shall prevail.

1 General information: Business activities and relationship with the Swiss Confederation

RUAG International Holding Ltd is a public limited company headquartered in Bern and wholly owned by the Swiss Confederation. RUAG International Holding Ltd and its subsidiaries (hereinafter referred to as RUAG International) is a technology group specialising in aerospace. RUAG International is bound by the owner's strategy of the Swiss Federal Council.

Relationship with the Swiss Confederation

The Swiss Confederation is the sole shareholder of RUAG International Holding Ltd. Under the terms of the Federal Act on State-Owned Defence Companies, any disposal of the capital or voting majority of the Swiss Confederation to third parties requires the approval of the Federal Assembly. As sole shareholder, the Confederation exercises control over all decisions taken at the General Meeting, including the election and remuneration of members of the Board of Directors and dividend resolutions. Details of transactions with the Swiss Confederation are given in Note 31.

2 Summary of significant accounting policies

In 2020, an unbundling process took place in which RUAG was split into two sister groups, RUAG International and RUAG MRO Holding Ltd. Since then, BGRB Holding Ltd has been the parent company of the two sister groups.

In 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged into BGRB Holding Ltd, after distribution of the dividend in kind, with retroactive effect from 1 January 2022. The merged company was simultaneously renamed RUAG International Ltd.

2.1 Basis of preparation

RUAG International's consolidated financial statements have been prepared in accordance with the guidelines of the Swiss GAAP FER Accounting and Reporting Recommendations. In addition, certain provisions of Swiss GAAP FER 31 "Additional recommendation for listed companies" have also been applied. These provisions contain recommendations regarding income tax, financial liabilities and segment reporting. Furthermore, the provisions of Swiss company law have been complied with. The revised recommendations of Swiss GAAP FER 30 "Consolidated Financial Statements" were not applied early. The reporting period covers 12 months and corresponds to the calendar year.

The consolidated financial statements are presented in Swiss francs (CHF). The balance sheet is structured according to maturities.

Current assets include assets that
- are realised within 12 months after the balance sheet date, or are sold, consumed as part of operational activities, or that
- are held for trading purposes, as well as
- cash and cash equivalents.

All other assets are non-current assets.

Current liabilities include liabilities
- that are to be settled within 12 months after the balance sheet date or for which
- a cash outflow is probable within the scope of operational activities, or
- that are held for trading purposes.

All other liabilities are non-current liabilities.

The income statement is prepared using the total cost method.

Items are measured at historical cost unless a recommendation requires a different valuation basis for a line item.

Preparation of the consolidated financial statements in accordance with the Swiss GAAP FER recommendations to some extent requires the use of estimates and assumptions. These have an impact on the recognised assets and liabilities, the application of accounting policies, the disclosure of contingent assets and liabilities on the balance sheet date and the reporting of income and expenses during the reporting period. Even though these estimates and assumptions are based on management's latest knowledge of current developments and events, the actual results may differ. Exceptionally complex areas, or areas where more extensive use of estimates and assumptions is necessary or where assumptions and estimates have a material impact on the consolidated financial statements, are presented in Note 3.

Unless otherwise indicated, all amounts are in millions of Swiss francs. Please note that the use of rounded figures and percentages may result in differences due to commercial rounding.

2.2 Explanation of key figures not defined in Swiss GAAP FER

The operating income sub-total shown separately on the income statement includes all operating income, own work capitalised including changes in inventories and work in progress.

EBITDA corresponds to earnings before interest, taxes (EBIT), depreciation and impairment of property, plant and equipment, and amortisation and impairment of intangible assets and is reported separately in the income statement.

Free cash flow comprises the cash flow from operating activities and the cash flow from investing activities and is shown separately in the statement of cash flows.

These three figures are key performance indicators for RUAG International and are therefore shown separately.

2.3 Principles and scope of consolidation

RUAG International's annual consolidated financial statements include subsidiaries where RUAG International Holding Ltd is effectively able to control the financial and operating policies. For control to exist, the investor must have the power to dispose of and influence variable returns as well as a combination of these two elements. This is usually the case if RUAG International directly or indirectly holds the majority of the voting rights or the potential voting rights of the entity. The assets, liabilities, equity, income and expenses of fully consolidated subsidiary companies are included in their entirety in the consolidated financial statements. Non-controlling interests in equity and net profit are stated separately. Subsidiaries and associates are consolidated with effect from the date of their acquisition, and eliminated from the consolidated financial statements in the event of a loss of control. Changes to investments in subsidiary companies are recognised as equity transactions insofar as these subsidiary companies were previously controlled and continue to be controlled. All intra-Group receivables, liabilities, expenses and income, as well as unrealised intercompany profits, are fully eliminated on consolidation.

The consolidated financial statements are based on the individual financial statements of the Group companies prepared in accordance with uniform principles. All subsidiaries included in the consolidated financial statements have a reporting date of 31 December.

Investments where RUAG International does not exercise significant influence (direct or indirect share of votes of less than 20%) are stated at historical cost less any valuation allowances and reported under "Non-current financial assets".

An overview of all significant subsidiaries and minority interests can be found in Note 35.

The most important consolidation and accounting principles were applied unchanged from the previous year.

2.4 Foreign currency translation

The consolidated financial statements of RUAG International are presented in Swiss francs (CHF), the functional currency of RUAG International Holding Ltd.

Transactions in foreign currencies are translated into the functional currency of the Group companies at the exchange rate prevailing at the transaction date. Foreign currency receivables and liabilities (monetary items) are translated at the exchange rate on the balance sheet date. Non-monetary items that are measured either at fair value or at historical cost in a foreign currency are translated into the functional currency at the exchange rate at the time of the fair value measurement or at the exchange rate at the transaction date. Any resulting exchange differences are recognised in profit or loss. An exception to this are exchange differences arising from effective cash flow hedges or net investments in foreign subsidiaries, which are recognised directly in equity.

The assets and liabilities of subsidiaries whose functional currency is not the Swiss franc are translated into Swiss francs on consolidation at the exchange rate applicable on the balance sheet date. The income statement, cash flow statements and other items are translated at the average exchange rate for the reporting period. Exchange differences arising from the conversion of the annual statements of subsidiaries are recognised directly in consolidated equity and reported separately as cumulative translation differences. When a foreign subsidiary is sold, the cumulative translation differences previously recognised in equity are transferred to the income statement as a component of the gain or loss on disposals.

Differences arising in the reporting period on translation of equity and non-current intra-Group financial transactions related to net investments in foreign subsidiaries, as well as retained earnings and other equity items, are recognised in the cumulative translation adjustments in equity.

In these consolidated financial statements, the main currencies were translated at the following exchange rates in the reporting years:

Exchange rates

Currency		Unit	Annual average 2023	End-of-year rate 2023	Annual average 2022	End-of-year rate 2022	Annual average 2021	End-of-year rate 2021
Euro	EUR	1	0.97	0.93	1.01	0.99	1.08	1.03
Swedish krona	SEK	100	8.48	8.35	9.47	8.86	10.66	10.08
US dollar	USD	1	0.90	0.84	0.95	0.92	0.91	0.91
Hungarian forint	HUF	100	0.25	0.24	0.26	0.25	0.30	0.28

2.5 Cash and cash equivalents
Cash and cash equivalents comprise cash and balances in postal checking and demand deposit accounts with financial institutions. They also include term deposits with financial institutions and short-term money market investments with a residual maturity of no more than three months as at the balance sheet date. This definition is also used for the cash flow statement. Cash and cash equivalents are recognised at amortised cost.

2.6 Current financial assets
Current financial assets include term deposits with financial institutions and short-term money market investments that are held for trading or are due within one year.

2.7 Receivables and prepayments
Receivables and prepayments are recognised at amortised cost less valuation allowances for doubtful receivables. The valuation allowances are estimated on the basis of an analysis of the actual risk of loss of the receivables outstanding on the balance sheet date. The valuation allowances consist of individual valuation allowances for specifically identified items for which there are objective indications that the outstanding amount will not be received in full, and global valuation allowances. The global valuation allowances are based on past experience. Receivables and prepayments deemed to be irrecoverable are recognised as "Other operating expenses" in the income statement.

2.8 Inventories and work in progress
Inventories and work in progress are recognised at the lower of cost and net realisable value. Cost comprises all costs of purchase and conversion, including pro rata production overheads. All recognisable risks of loss from work in progress are taken into account through economically appropriate valuation allowances. Inventories are recognised using the weighted average cost method or standard costs. The standard costs determined are regularly monitored and adjusted to the latest conditions in the event of major deviations. Valuation allowances are recognised for hard-to-sell or slow-moving inventories. Inventories that cannot be sold are written off in full.

Long-term construction and service contracts are valued according to the percentage of completion method. When the conditions are satisfied, work in progress and revenue are recognised by reference to the stage of completion. Long-term construction or service contracts are contracts for which the order processing extends over a longer period of time, calculated from the time the order is placed to the time at which the order is essentially completed.

The percentage of completion is calculated as the ratio of the contract costs incurred to the total estimated contract costs (cost-to-cost method). Losses from long-term construction and service contracts are recognised immediately in full, in the financial year in which the losses are identified. Order costs and pro rata profits from long-term construction and service contracts measured using the percentage-of-completion method are recognised in the item "Work in progress (percentage of completion)" as part of inventories and work in progress. They are recognised at cost plus a pro rata profit in accordance with the percentage of completion achieved.

In the Space business segment, the percentage of completion is largely determined using the milestone method. Here, project milestones are defined on the basis of individual customer contracts, upon reaching these milestones, services performed are invoiced to the customer and revenue and income are realised on a pro rata basis.

If the outcome of long-term construction and service contracts cannot be estimated reliably, sales are only recognised to the extent of contract costs incurred that are likely to be recoverable (recoverable cost method). Contract costs are recognised when they are incurred, unless they create an asset that is linked to the future fulfilment of the contract. An expected loss on a contract is recognised immediately in profit or loss.

Semi-finished products and work in progress are recognised in the item "Inventories and work in progress".

Revenue from services rendered is recognised in the income statement on the basis of the stage of completion as at the balance sheet date.

2.9 Property, plant and equipment
Property, plant and equipment are recognised at cost less accumulated depreciation and impairment. Repair and maintenance costs are recognised as expenses. Major renovations and other value-enhancing costs are capitalised and depreciated over their estimated useful life. The carrying amount of the replaced parts is derecognised. Depreciation is calculated using the straight-line method, with the exception of land, which is not depreciated and is recognised at cost.

The estimated useful lives for the main categories of property, plant and equipment are as follows:

Class	Useful life in years
Plant and equipment	5 to 12
Fixtures and fittings	10
Information technology	3 to 5
Motor vehicles	5 to 10
Buildings (operating properties)	20 to 60

The useful lives are reviewed at least once a year on the balance sheet date and adjusted where necessary.

2.10 Government grants
Government grants related to assets are recognised in the balance sheet as deferred income at fair value (gross consideration). Government grants are subsequently recognised as other income in profit or loss over the useful life of the assets.

2.11 Leases
Leased assets where the benefits and risk arising from ownership are essentially transferred to RUAG International are recognised at the lower of the fair value/market value of the leased asset and the present value of the future lease payments at the inception of the lease. Correspondingly, the estimated net present value of future, non-cancellable lease payments is carried under liabilities from finance leases. Assets under finance leases are amortised on a straight-line basis over the shorter of their estimated useful life or the duration of the lease. All other lease transactions are classified as operating leases.

2.12 Intangible assets and goodwill
Intangible assets have a finite useful life and are recognised at cost less accumulated amortisation and impairment losses. Intangible assets acquired separately in business combinations are recognised at fair value at the acquisition date less any necessary impairment losses.

Scheduled depreciation is recognised using the straight-line method with the following estimated useful lives:

Class	Useful life in years
Patents and developments	5 to 15
Trademarks and prototypes	3 to 8
ERP systems	3 to 5
Licences and rights	1 to 10
Order backlog and customer relationships	1 to 10

The useful lives are reviewed at least once a year on the balance sheet date and adjusted where necessary.

Business combinations are recognised using the acquisition method. The cost is recognised at the fair value of the consideration on the transaction date. Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised in the balance sheet at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. Transaction costs are recognised as an expense in the income statement. The acquisition costs that exceed the net assets recognised at fair value (goodwill) are offset against equity at the time of acquisition. If the purchase price includes contingent considerations, these are estimated and recognised as best as possible at the time of acquisition. If there are deviations in the subsequent definitive purchase price calculation, the effect is recognised in the income statement and reported as "Other operating expenses or income". The effects of a theoretical capitalisation of goodwill (acquisition cost, residual value, useful life, amortisation) and any potential impairment are presented in the notes. A negative difference is recognised directly in the income statement after a further review. When a company is sold, the goodwill previously recognised in equity is derecognised and recognised in the income statement as part of the gain or loss on disposals.

2.13 Research and development expenses
Research expenses are not capitalised but expensed as incurred. RUAG International reviews the capitalisation of development costs on a case-by-case basis. Development costs are only recognised as intangible assets if an intangible asset is identifiable, the entity believes it can demonstrate the technical feasibility and ability to complete and use the asset, the asset is expected to generate future economic benefits and the cost of the asset can be reliably determined. Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses.

2.14 Impairment
Impairment of assets, in particular property, plant and equipment and intangible assets The recoverable amount of property, plant and equipment, intangible assets and the goodwill recognised and disclosed in the notes is always reviewed whenever changes in circumstances or events indicate that the carrying amount may be overestimated. Where there is an indication of a possible overestimate, the Group measures the fair value on the basis of expected future cash flows from use and eventual sale, minus any cost of disposal. Where the carrying amount exceeds the higher of fair value less costs to sell and value in use, an impairment loss equivalent to the difference is recorded (this does not apply to goodwill). As goodwill is offset against equity at the time of acquisition, any impairment of the goodwill is not charged to the income statement, but is only disclosed in the notes. The impairment assessment is based on the smallest group of assets for which independent cash generating units are identifiable. The estimation of future discounted cash flows is based on the forecasts and assumptions of management. Accordingly, the actual cash flows generated may differ from these estimates.

2.15 Financial liabilities
Financial liabilities are recognised at nominal value.

2.16 Trade payables and prepayments
Trade payables and prepayments are recognised at nominal value.

2.17 Accrued expenses and deferred income
Accrued expenses and deferred income include expenses for the reporting period for which no supplier invoices have yet been received. Income received in advance for other periods and bonus accruals are also recognised here. The valuation is carried out at nominal value.

2.18 Provisions
Provisions are recognised where:
- RUAG International has a present legal or constructive obligation due to a past event;
- it is likely that an outflow of resources embodying economic benefits will be required to settle the liability, and
- a reliable estimate can be made of the amount of the liability.

Provisions are discounted if the discounting effect is material.

Provisions for restructuring Costs in connection with restructuring are recognised as an expense if management has adopted a plan and a constructive liability has arisen as a result and the amount of the liability can be estimated reliably. Costs for staff reduction plans are recognised as an expense at the time of management's decision if a probable obligation has arisen and its amount can be reliably estimated.

Provisions for contract losses Losses from long-term construction and service contracts are recognised immediately in full in the financial year in which the losses are identified.

Provisions for warranties Provisions for warranties are recognised based on the revenue subject to warranty and the services rendered in the past.

Provisions for leave and overtime entitlements Employees' entitlements to leave and overtime entitlements are calculated as at the balance sheet date and recognised on an accrual basis.

2.19 Employee benefit obligations
RUAG International has pension plans for employees in accordance with the relevant national legislation. The majority of these are financially independent institutions and foundations. They are generally financed by employee and employer contributions.

The economic impact of the pension plans is assessed annually. Any over- and underfunding is determined on the basis of the annual financial statements of the corresponding pension funds, which are based on Swiss GAAP FER 26 (Swiss plans) or recognised country-specific methods (foreign plans).

An economic benefit is capitalised if this is permitted and where the intention is:
- to use the excess to reduce employer contributions,
- to reimburse the employer in accordance with local legislation or
- to use it in another way that would economically benefit the employer outside of the benefits in line with the regulations.

An economic liability is recognised if the conditions for the creation of a provision in accordance with Swiss GAAP FER 23 are met. This is recognised under employee benefit obligations.

Changes to an economic benefit or liability are recognised in the income statement in the same way as the contributions incurred for the period. All effects on income from foreign pension plans are recognised as part of personnel expenses in the operating result.

2.20 Other long-term employee benefits
Other long-term employee benefits include long-service awards for employees who have been with the company for several years. These are calculated using the projected unit credit method and are included in the item "Provisions for loyalty bonuses and anniversary bonuses".

2.21 Current and deferred income taxes
Income taxes include all current and deferred taxes which are related to profit. They are recognised in profit or loss, except to the extent that they are associated with a business combination or with an item recognised directly in equity. Non-income taxes such as taxes on real estate and capital are recognised under "Other operating expenses".

Current income taxes comprise the taxes expected to be payable in respect of the taxable result, calculated using the tax rates applicable or announced on the balance sheet date, as well as all adjustments to the tax liability with regard to previous periods.

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for consolidation purposes and the amounts used for tax purposes. Deferred taxes are not recognised for:
- temporary differences arising on initial recognition of assets and liabilities in connection with transactions that affect neither the consolidated nor taxable profit or loss, and
- temporary differences in connection with stakes in subsidiaries if the Group is able to control the timing of the reversal of these differences and it is probable that they will not be reversed in the foreseeable future.

Deferred taxes are measured taking into account when and how the assets concerned are expected to be realised or settled. In this regard, the tax rates used are those that apply or have been announced on the balance sheet date. Deferred taxes are included in non-current assets (deferred income tax assets) or non-current liabilities (deferred income tax liabilities). They are netted if it is legally permissible to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. Deferred tax assets for unused tax losses and deductible temporary differences are recognised to the extent that it is likely that there will be future profits against which they can be used. The tax rates are based on the actual and expected tax rates to apply at the legal entities in question.

2.22 Equity
Share capital The share capital corresponds to the nominal capital of all registered shares issued.

Capital reserves This item consists of the additional paid-in capital in excess of the nominal value (less transaction costs) and any grants or contributions from shareholders in their capacity as shareholders.

Retained earnings Retained earnings essentially comprise the accumulated profits of subsidiaries that have not been distributed to shareholders. The distribution of profits is subject to the respective local legal restrictions.

Offsetting of goodwill This item consists of goodwill from acquisitions offset directly against equity at the time of acquisition.

Other reserves Other reserves essentially comprise the effective portion of the cumulative net changes in the fair values of hedging instruments used to hedge cash flows.

Translation differences This item consists of the difference arising from the translation into Swiss francs of assets, liabilities, income and expenses of subsidiaries whose functional currency is not the Swiss franc.

2.23 Revenue recognition
Net revenue comprises the fair value of the consideration received from the sale of goods and the provision of services by RUAG International in its ordinary business activities. The amount is reported after deduction of value-added taxes, price reductions, rebates and discounts. RUAG International recognises its revenue when the amounts can be reliably measured, future cash flows are probable and the specific criteria described below have been met.

Long-term contracts Net revenue for the period comprises "invoiced revenue" plus the "change in percentage of completion (PoC)". "Invoiced revenue" includes amounts accrued or invoiced for services already rendered in the period, while the "change in percentage of completion (PoC)" includes the services already rendered for ongoing construction and service orders measured using this method.

Rendering of services Revenue from the rendering of services is measured either on the basis of time and material or as a fixed-price contract.

Revenue from fixed-price contracts is measured using the percentage-of-completion method if both the costs to be incurred until completion of the contract and the stage of completion can be reliably determined at the balance sheet date and the costs attributable to the contract can be reliably measured. The percentage of completion is calculated as the ratio of the contract costs incurred to the total estimated contract costs (cost-to-cost method) or using the milestone method (Space business segment). If the proceeds of a construction contract cannot be reliably measured, revenue is recognised only to the extent of the potentially recoverable costs incurred by the contract recognised as an expense in the relevant period. Contributions from third parties from contract development are recognised as revenue and assigned to the period in which the corresponding development costs are incurred.

Sale of goods Revenue from the sale of goods is recognised at the time of delivery or performance, i.e. when the significant risks and rewards are transferred to the buyer.

Other income Other income, such as rental and interest income, is recognised on a time-proportionate basis. Dividend income is recognised when the legal claim to payment has arisen.

2.24 Segment information
The determination of the reportable operating segments is based on the management approach. Accordingly, external segment reporting is based on the Group's internal organisational and management structure and internal financial reporting to the chief operating decision-maker of RUAG International, the Chief Executive Officer. Reporting is broken down according to the Space and Aerostructures divisions. In addition, the reporting includes the "Other segments" area, under which central services such as real estate management (Zurich Seebach and Zurich Circle sites), IT and RUAG International's corporate units, are summarised.

Unrealised gains or losses may arise from the offsetting of services or sales of assets between the individual segments. These are eliminated and reported in the segment information in the "Elimination" column.

Net assets comprise trade receivables, advance payments to suppliers, other current receivables, tax receivables, prepaid expenses and accrued income, inventories and work in progress, property, plant and equipment and intangible assets less trade payables, advance payments from customers, other current liabilities, tax liabilities, deferred income and current and non-current provisions. Segment investments include additions to property, plant and equipment and other intangible assets.

Space business unit
With a broad international customer base, Beyond Gravity (formerly RUAG Space) is the leading international supplier of space products in Europe with strong growth in the USA. With 12 production sites in six countries, the division specialises in high-performance products for use on board satellites and other spacecraft as well as launch vehicles. The expertise is divided into three divisions: Payload fairings and separation systems for launch vehicles (Launchers division), mechanical and electronic applications and payload solutions (Satellites division) and actuator production for semiconductor lithography production (Lithography division). These divisions represent the most important sources of revenue.

Aerostructures business segment RUAG Aerostructures is a globally active tier 1 supplier manufacturing aircraft for civil and military customers. Its activities focus on the development, manufacture and final assembly of complete fuselage sections, wing and control components as well as sophisticated assemblies and components for civil and military aircraft. It also provides services in the field of surface treatment. Among other things, it is responsible for the complete global supply chains of fuselage sections for Airbus. The main source of revenue is the sale of aerostructures and complex assemblies and components. The segment also provides services in the field of surface treatment. Among other things, it is responsible for the complete global fuselage section supply chains for Airbus. The main sources of earnings are the sale of aerostructures and of complex assemblies and components.

2.25 Transactions with related parties
In the reporting period, services were procured from the RUAG MRO Holding Ltd Group, for example in the form of renting business premises, and services were provided on a smaller scale.

2.26 Derivative financial and hedging instruments
Derivative financial instruments are measured at fair value. The way in which the gain or loss is measured depends on whether the instrument is used to hedge a specific risk and whether the conditions for hedge accounting are met. The objective of hedge accounting is to ensure the change in value of the hedged item and the hedging instrument is recognised in the income statement at the same time.

When concluding a hedging transaction, the Group documents the relationship between hedging instruments and hedged items as well as the purpose and strategy of the hedge. This process also includes the association of all hedging derivatives with specific assets and liabilities or firm commitments and forecast transactions. The Group documents the extent to which the derivatives used for hedging offset the change in the fair value of the hedged item, both at the beginning and during the term of the hedge. When the contract is concluded, a derivative instrument that qualifies for hedge accounting is either designated as

- a hedge of the change in the fair value of a recognised asset or liability (fair value hedge), or as
- a hedge on cash flows from a forecast transaction or firm commitment (cash flow hedge), or as
- a hedge of a net investment in a foreign subsidiary.

Changes in the fair value of foreign exchange hedging instruments that serve to hedge cash flows from a forecast transaction or firm commitment and provide an effective hedge are recognised as cash flow hedges. They are measured at fair value and the effective portion of the change in fair value of the foreign exchange hedging instrument is recognised in equity and reported under "Other reserves". The ineffective portion is recognised in the income statement under "Other operating expenses". Upon occurrence of the underlying transaction, the relevant hedging instrument is transferred from equity to the income statement.

RUAG International currently only has hedges on cash flows from forecast transactions or firm commitments (cash flow hedges).

3 Significant judgements and sources of estimation uncertainty in the application of accounting policies

The preparation of the consolidated financial statements is dependent on assumptions and estimates in connection with the accounting policies, which are subject to a certain degree of management judgement. When applying accounting policies in the consolidated financial statements, certain forward-looking estimates and assumptions must be made that can have a material impact on the amount and presentation of assets and liabilities, income and expenses and the related disclosures. The estimates and assumptions underlying the accounting and valuation are based on empirical values and other factors that are considered appropriate under the given circumstances. The following items contain significant estimates and assumptions:

Inventories and work in progress The current value of inventories and work in progress is reassessed periodically. This involves classifying the individual items in terms of inventory sales ratios and valuing them accordingly. The carrying amounts of inventories and work in progress as well as the level of valuation allowances are explained in Note 15 "Inventories and work in progress".

Long-term construction and service contracts Estimates with a material impact are used as a basis for the measurement of long-term construction and service contracts using the percentage of completion method. Although estimates such as the percentage of completion and estimated contract costs for projects are determined to the best of management's knowledge of current events and possible future measures, the actual results achieved may deviate from these estimates. See the explanations in Note 16 "Percentage of Completion (PoC)" and Note 24 "Provisions".

Property, plant and equipment and intangible assets Property, plant and equipment and intangible assets are tested annually for signs of impairment. If there are indications that these assets are overvalued, an estimate is made of the future cash flows expected to result from the utilisation of these assets or their possible disposal. Actual cash flows may differ from the discounted future cash flows based on these estimates. Factors such as changes in the planned use of buildings, machinery and equipment, the closure of sites, technical obsolescence or lower-than-forecast sales of products whose rights have been capitalised can shorten the useful life or result in a reduction in value. The carrying amounts of property, plant and equipment and intangible assets are shown in Note 17 "Property, plant and equipment" and Note 18 "Intangible assets".

Provisions The Group companies are exposed to various risks in the course of their ordinary business activities. These are assessed on an ongoing basis and corresponding provisions are measured on the basis of the information available and the cash outflow that can realistically be expected. For example, provisions for warranties are measured on the basis of past experience and provisions for legal disputes on the basis of a legal assessment. The carrying amounts of such provisions are shown in Note 24 "Provisions".

Deferred income taxes The recognition of deferred income tax assets is based on management judgement. Deferred income tax assets on tax loss carryforwards are only capitalised if it is probable that they can be utilised. Their use depends on the possibility of generating future taxable profits that can be offset against existing loss carryforwards. To assess the probability of future use, estimates of various factors such as the future earnings situation are necessary. If the actual values deviate from the estimates, this can lead to a change in the assessment of the recoverability of the deferred income tax assets. The carrying amounts of current and deferred tax assets and liabilities are shown in the consolidated balance sheet and in Note 11 "Income taxes".

4 Newly established companies, mergers, disposals of subsidiaries and business units, acquisitions

Newly established companies No new companies were founded in the year under review.

Mergers RUAG International Holding Ltd was wholly owned by BGRB Holding Ltd, domiciled in Bern (Switzerland), until 8 June 2022. On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the owner (the Swiss Confederation) as a dividend in kind and subsequently merged with RUAG International Holding Ltd with retroactive effect from 1 January 2022. The acquiring company, BGRB Holding Ltd, changed its name to RUAG International Holding Ltd at the same time.

Disposals of subsidiaries and business units

RUAG Aerospace Structures GmbH and RUAG Aerostructures Hungary Zrt On 31 December 2023, the companies RUAG Aerospace Structures GmbH and RUAG Aerostructures Hungary Zrt. were sold to the Mubea Group. The two companies sold generated revenue of CHF 202.6 million and EBIT of CHF 1.3 million as at 31 December 2023.

Simulation and Training business segment
On 30 April 2022, the Simulation & Training business unit with the companies RUAG Simulation & Training Ltd, RUAG Holding France SAS, RUAG Defence France SAS, RUAG Defence Deutschland GmbH, RUVEX AG and RUAG Simulation Company LLC, was sold to Thales S.A. in France. The Simulation & Training business division generated revenue of CHF 23.8 million and negative EBIT of CHF 4.4 million in the previous year to 30 April 2022.

Ammotec business segment On 31 July 2022, the Ammotec business segment was sold to Beretta Holding S.p.A. The Ammotec business segment included the companies RUAG Ammotec Ltd (CH), RUAG Ammotec Switzerland Ltd (CH), RUAG Ammotec Deutschland GmbH (DE), RUAG Ammotec GmbH (DE), RUAG Ammotec Italia s.r.l. (IT), Stadeln Genehmigungshaltergesellschaft GmbH (DE), RUAG Industrie e Comercio de Municoes Ltda (BR), RUAG Hungarian Ammotec Inc. (HU), Norma Precision AB (SE), RUAG Ammotec USA Inc. (US), RUAG Ammotec UK Ltd. (GB), RUAG Ammotec France S.A.S. (FR), RUAG Ammotec Austria GmbH (AT), RUAG Ammotec Benelux BVBA (BE), VS Medien GmbH (DE), Gyttorp AB (SE), RUAG Ammotec Sweden AB (SE), Gyttorp Cartridge Company AB (SE), RUAG Ammotec Finland OY (FI) and RUAG Ammotec Denmark ApS (DNK). The Ammotec division generated revenue of CHF 307.9 million and EBIT of CHF 58.5 million in the previous year up to the date of sale.

RUAG Australia Pty Ltd On 31 August 2022, RUAG Australia Pty Ltd was sold to ASDAM Operations Pty Ltd. RUAG Australia Pty Ltd generated revenue of CHF 14.2 million and negative EBIT of CHF 3.9 million in the previous year up to 31 August 2022.

Disposals of subsidiaries and business units in the year under review and in the previous year had the following effects on net sales and EBIT at RUAG International:

Net sales and EBIT of discontinued operations

in CHF m

	2023	2022
Net sales	202.6	346.0
EBIT	1.3	50.2

The disposals of assets and liabilities associated with the sales made in the year under review and in the previous year and the corresponding cash inflows/outflows are summarised in the following table:

Spin-off assets and liabilities
in CHF m

	2023	2022
Current assets	98.6	500.2
Non-current assets	19.4	205.1
Current and non-current liabilities	(36.6)	(232.2)
Total spin-off assets and liabilities	81.4	473.1

Net cash inflow
in CHF m

	2023	2022
Consideration received in the form of cash	81.1	651.0
Cash and cash equivalents sold	(16.6)	(73.0)
Total net cash inflow	64.5	578.0

Acquisitions
No new companies were acquired in the reporting year.

Machining business unit On 6 October 2022, RUAG Aerostructures Switzerland Ltd reacquired the Machining business unit sold on 30 September 2021 from fitINDUSTRY Emmen AG as part of an asset deal.

Effects from acquisitions of companies

Assets acquired and liabilities assumed from acquisitions of companies
in CHF m

	2023	2022
Current assets	—	0.3
Non-current assets	—	2.0
Current and non-current liabilities	—	(0.8)
Total acquired assets and liabilities	—	1.5

Net cash outflow from acquisitions of companies
in CHF m

	2023	2022
Considerations paid in cash	—	(1.8)
Cash and cash equivalents acquired	—	—
Total net cash outflow	—	(1.8)

5 Segment information

in CHF m

	Space		Aerostructures		MRO International		Ammotec		Other segments		Total segments		Eliminations		Group total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Order intake – third parties	407.8	438.6	240.8	263.2	—	43.8	—	295.2	2.5	2.3	651.1	1 043.2	—	—	651.1	1 043.2
Order backlog – third parties	728.6	744.3	41.6	268.8	—	—	—	—	—	—	770.2	1 013.1	—	—	770.2	1 013.1
Net sales with third parties	379.8	355.5	235.7	234.2	—	38.0	—	307.9	4.5	9.0	620.0	944.7			620.0	944.7
Net sales with other segments	3.6	0.5	4.1	1.0	—	0.0	—	—	42.1	32.1	49.8	33.6	(49.8)	(33.6)	—	—
Total net sales	383.4	356.0	239.8	235.2	—	38.0	—	307.9	46.6	41.1	669.8	978.3	(49.8)	(33.6)	620.0	944.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.5	5.7	(26.9)	33.8	—	76.9	—	103.4	48.0	(21.1)	31.6	198.8	—	—	31.6	198.8
Depreciation, amortisation and impairment	(10.4)	(11.1)	9.8	9.5	—	(1.6)	—	(14.6)	(2.8)	(3.1)	(3.4)	(20.9)	—	—	(3.4)	(20.9)
Earnings before interest and taxes (EBIT)	0.1	(5.4)	(17.2)	43.3	—	75.3	—	88.9	45.2	(24.2)	28.1	177.9	—	—	28.1	177.9
Net financial result															0.9	(4.2)
Profit before tax															29.0	173.7
Income taxes															(24.5)	(19.4)
Net profit															4.6	154.3
Net operating assets by region	71.1	68.3	22.9	57.4	—	—	—	—	(35.2)	19.7	62.8	154.4	0.0	—	62.8	145.4
Net operating assets Switzerland	30.7	13.6	22.9	14.6	—	—	—	—	(23.8)	26.6	33.8	54.9	0.6	2.4	33.2	52.5
Net operating assets Rest of Europe	40.5	16.8	—	42.8	—	—	—	—	(11.4)	(6.9)	29.1	52.6	(0.2)	(1.6)	29.2	54.2
Net operating assets Rest of world	(0.1)	37.9	—	—	—	—	—	—	(0.0)	(0.0)	(0.1)	37.9	(0.4)	(0.8)	0.3	38.7
Property, plant and equipment and intangible assets	90.3	71.1	13.2	15.1	—	—	—	—	19.9	47.9	123.4	134.1	—	—	123.4	134.1
Property, plant and equipment and intangible assets Switzerland	28.6	26.0	13.2	0.0	—	—	—	—	19.9	47.9	61.7	73.9	—	—	61.7	73.9
Property, plant and equipment and intangible assets Rest of Europe	27.5	19.4	—	15.1	—	—	—	—	—	—	27.5	34.5	—	—	27.5	34.5
Property, plant and equipment and intangible assets Rest of world	34.2	25.6	—	—	—	—	—	—	—	—	34.2	25.6	—	—	34.2	25.6
Capital expenditures for property, plant and equipment and intangible assets	(34.3)	(20.2)	(8.0)	(3.8)	—	(1.6)	—	(13.2)	(13.0)	(2.0)	(55.2)	(40.8)	—	—	(55.2)	(40.8)
Disposal of property, plant and equipment and intangible assets	0.1	0.1	0.0	0.0	—	(0.0)	—	0.2	102.9	—	102.9	0.3	—	—	102.9	0.3

Products and services of the individual business segments are described in Note 2.24, “Segment information”.

6 Net sales

in CHF m	2023	2022
Invoiced sales	599.3	945.6
Change in contracts under the percentage of completion (PoC) method	20.6	(0.8)
Total net sales	620.0	944.7

Analysis of invoiced sales

Third parties	599.1	892.4
DDPS	0.2	53.1
Invoiced sales by customer group	599.3	945.6

Civil	577.7	825.2
Defence	21.7	120.4
Invoiced sales by type of use	599.3	945.6

Switzerland	26.8	97.0
Rest of Europe	418.0	622.7
Middle East	0.6	1.6
North America	144.7	154.8
South America	5.3	1.0
Asia / Pacific	3.9	28.1
Africa	—	0.3
Invoiced sales by region	599.3	945.6

Revenue in the "Rest of Europe" region mainly relates to Germany, France, Italy, Sweden, the UK, the Netherlands and Austria.

7 Personnel expenses

in CHF m	2023	2022
Salaries and wages	(217.3)	(325.4)
Expense of benefit plans	(15.5)	1.5
Other social security expenses	(33.6)	(53.0)
Contract personnel	(26.0)	(35.4)
Other personnel expenses	(11.3)	(12.4)
Total personnel expenses	(303.6)	(424.7)

Personnel expenses in the reporting year were lower than in the previous year, primarily due to the divestments made by the Ammotec and MRO International (Simulation & Training and RUAG Australia) business units. The remeasurement of foreign pension plans, mainly in the Ammotec (Germany and Sweden) and Space (Sweden) business units, led to a reduction of CHF 24.8 million in the previous year as a result of higher discount rates. In the reporting year, the slightly lower discount rate in Sweden had only a minimal effect on the pension obligation.

8 Other operating income/expenses

in CHF m	2023	2022
Other operating income	77.3	189.8
Total other operating income	77.3	189.8

Premises costs	(24.3)	(29.3)
Maintenance and repairs of property, plant and equipment	(18.8)	(34.2)
Cost of energy and waste disposal	(6.5)	(9.9)
Insurance and duties	(3.3)	(5.6)
Administration and IT costs	(45.7)	(50.8)
Advertising costs	(1.8)	(8.8)
Other operating expenses	(29.0)	(49.0)
Total other operating expenses	(129.4)	(187.8)

"Other operating income" in the reporting year includes CHF 70.1 million from the sale of land and buildings and is significantly below the previous year's level, as the item in the previous year mainly comprised income from the sale of several investments.

"Premises costs" are below the previous year's level. The divestments in the past year led to an overall decrease of around CHF 7.1 million in the reporting year. The rental costs in connection with the new location at Zurich Airport led to an increase of just under CHF 0.9 million in Corporate Services compared to the previous year.

The items "Maintenance and repairs of property, plant and equipment", "Cost of energy and waste disposal", "Insurance and duties" and "Administrative and IT costs" fell by a total of CHF 26.3 million compared to the previous year.

This is mainly due to the sale of investments during the previous year. The divestments in the past year led to a total of CHF 7.0 million lower advertising expenses in the reporting year compared to the previous year.

Various adjustments and reassessments of provisions are included in the position "Other operating expenses". Furthermore, this position includes exchange losses of CHF 9.0 million net (previous year CHF 14.6 million). These are mainly the cumulative effects of forward exchange contracts entered into to hedge transactions in connection with operating activities (hedging of future sales as well as purchases of goods and services in the respective currencies).

9 Research and development expenses

in CHF m	2023	2022
Total research and development expenses	10.9	18.1

All in-house work, work assigned to third parties and services required from third parties performed at the company's own risk and recognised as an expense during the reporting year are included and disclosed under Research and development expenses.

10 Financial income/financial expenses

in CHF m	2023	2022
Interest income	9.2	2.9
Total financial income	9.2	2.9

Interest expense	(8.3)	(7.0)
Total financial expenses	(8.3)	(7.0)

11 Income taxes

in CHF m	2023	2022
Income tax expense/income of the reporting period	(28.0)	0.1
Adjustments to current income taxes from prior periods	(1.1)	(1.0)
Current income tax expense	(29.1)	(0.8)
Origination (reversal) of temporary differences	0.7	(16.8)
Effect of tax rate changes	0.0	(0.0)
Recognition of tax losses	0.0	0.2
Use of recognised tax loss carryforwards	(0.1)	(1.9)
Deferred income tax income (expense)	0.6	(18.6)
Income tax expense in profit or loss	(28.5)	(19.4)

In addition, the following deferred taxes were recognised in equity:

in CHF m	2023 Before tax	2023 Tax (expense)/ income	2023 Net (after tax)	2022 Before tax	2022 Tax (expense)/ income	2022 Net (after tax)
Change in fair value of cash flow hedges	3.5	(1.0)	2.4	(20.6)	5.9	(14.7)
Gains and losses from cash flow hedges transferred to profit and loss	0.6	(0.2)	0.4	20.2	(6.0)	14.3
Changes in equity	4.0	(1.2)	2.8	(0.3)	(0.1)	(0.4)

Analysis of income tax expense
The following table shows the reconciliation of expected to effective income tax expense. The applicable income tax rate for the purposes of the following analysis is the average income tax rate of the Group companies weighted by profit or loss; it is 2.3% (previous year: 32.8%).

in CHF m	2023	2022
Profit before tax	29.0	173.7
Expected weighted tax rate in %	2.3%	32.8%
Expected income tax expense	(0.7)	(57.0)
Reconciliation to reported income tax expense		
Effect of (valuation allowances)/recognising of tax loss carryforwards from prior years	0.1	(0.9)
Effect of using unrecognised tax loss carryforwards from prior years	0.3	(29.4)
Effect of current losses for which tax loss carryforwards are not recognised	11.1	12.3
Effect of non-deductible expenses	4.4	0.5
Effect of tax-free income	(2.8)	(19.9)
Effect of income taxed at lower rates	(0.2)	(0.6)
Effect of tax rate changes	11.4	0.0
Effect of tax losses (credits) from prior periods	1.1	(0.7)
Other effects	2.4	1.0
Reported income tax expense	(28.5)	(19.4)
Effective income tax rate	98.2%	11.2%

Individual countries (cantons in the case of Switzerland) operate with different tax laws and tax rates. For this reason, the weighted average of the expected tax rate may vary between periods, which is attributable to the profits or losses generated in each individual country or canton.

Deferred tax assets and liabilities
Recognised deferred tax assets and liabilities break down as follows:

in CHF m	2023 Deferred tax assets	2023 Deferred tax liabilities	2022 Deferred tax assets	2022 Deferred tax liabilities
Assets				
Receivables and prepayments	—	0.7	0.3	0.7
Inventories and work in progress	0.2	4.1	0.5	0.5
Property, plant and equipment	0.1	2.0	0.6	4.5
Intangible assets	0.1	1.2	0.0	0.9
Tax loss carryforwards	0.5	—	0.5	—
Other asset items	0.4	0.4	0.3	0.4
Liabilities				
Deferred income and accrued expenses	0.2	—	2.1	—
Current and non-current provisions	0.9	0.1	0.6	1.0
Employee benefit obligations	0.9	—	0.9	—
Other liability items	0.2	2.4	1.4	5.5
Deferred taxes before offsetting	3.5	10.9	7.1	13.4
Offsetting of deferred tax assets and liabilities	(3.0)	(3.0)	(4.2)	(4.2)
Total deferred taxes	0.5	8.0	3.0	9.2

Deferred tax assets and liabilities changed as follows:

in CHF m	2023	2022
Total deferred taxes at 1 January	(6.3)	10.2
Changes recognised in profit or loss	0.6	(18.6)
Changes in equity with no impact on profit or loss	(1.2)	(0.1)
Changes in the scope of consolidation	(0.6)	3.0
Foreign currency translation adjustments	0.0	(0.7)
Total deferred taxes at 31 December	(7.4)	(6.3)
of which deferred tax assets	0.5	3.0
of which deferred tax liabilities	(8.0)	(9.2)

Deferred taxes are calculated on the basis of the expected country-specific tax rates applicable at the individual companies for the relevant expected country-specific tax assets and liabilities. The tax rates used to calculate the deferred tax items do not differ materially from the respective income tax rates.

Deferred tax assets for unused tax loss carryforwards are only recognised if it is probable that they will be offset against future taxable profits.

The tax loss carryforwards are due to expire as follows:

in CHF m	2023	2022
Expiring within 1 year	—	—
Expiring in 1 to 2 years	0.3	—
Expiring in 2 to 3 years	1.6	0.1
Expiring in 3 to 4 years	0.8	1.6
Expiring in 4 to 5 years	47.7	0.8
Expiring in 5 to 6 years	7.1	47.1
Expiring in 6 to 7 years	3.1	7.9
Expiring in more than 7 years	198.3	179.5
Total tax loss carryforwards	258.8	237.0
Potential tax effect of tax loss carryforwards	60.6	56.2
therein recognised as deferred tax assets	0.6	0.5
therein not recognised	59.9	55.8

12 Cash and cash equivalents

in CHF m	2023	2022
Cash on hand	0.0	0.0
Demand deposits with financial institutions	121.5	87.7
Money market investments	335.5	482.5
Total cash and cash equivalents	457.0	570.3

Currencies of cash and cash equivalents

in CHF m	2023	2022
CHF	191.2	329.8
EUR	206.2	190.7
USD	48.1	28.3
SEK	9.8	17.2
GBP	0.7	0.5
Other	1.0	3.7
Total cash and cash equivalents	457.0	570.3

13 Financial assets

Current financial assets

in CHF m	2023	2022
Derivative financial instruments	6.0	5.5
Total current financial assets	6.0	5.5

Current financial assets primarily include the positive replacement values of the open foreign currency hedging transactions (see also the information on financial instruments in Note 33, “Risk management process, financial risk management and capital management”).

Non-current financial assets

in CHF m	2023	2022
Other non-current financial assets	0.4	0.5
Total non-current financial assets	0.4	0.5

Currencies of current and non-current financial assets

in CHF m	2023	2022
EUR	1.1	0.6
USD	5.1	4.2
SEK	0.2	1.2
Total financial assets	6.4	6.0

The carrying amounts of the non-current financial assets are a reasonable approximation of their fair value.

14 Trade receivables, other current receivables and prepayments

in CHF m	2023	2022
Trade receivables	57.9	86.2
Valuation allowances	(3.8)	(2.0)
Total trade receivables	54.1	84.2
Prepayments to suppliers	5.0	6.5
Total prepayments to suppliers	5.0	6.5
Current receivables from government bodies	3.5	3.3
Other current receivables	5.0	5.4
Total other current receivables	8.4	8.7
Total trade receivables, other current receivables and prepayments	67.5	99.4

Maturity profile of trade receivables, other current receivables and prepayments

in CHF m	2023	2022
Not past due	52.6	83.7
Past due 1–30 days	10.8	8.6
Past due 31–60 days	0.8	1.1
Past due 61–90 days	0.1	2.1
Past due 91–180 days	1.8	3.2
Past due over 180 days	1.4	0.8
Total trade receivables, other current receivables and prepayments	67.5	99.4

Currencies of trade receivables, other current receivables and prepayments

in CHF m	2023	2022
CHF	14.1	18.5
EUR	36.1	40.7
USD	14.9	37.9
SEK	2.0	2.1
GBP	0.2	0.1
Other	0.3	0.1
Total trade receivables, other current receivables and prepayments	67.5	99.4

Valuation allowances for doubtful receivables comprise specific valuation allowances for specifically identified items where there is a high risk of non-payment and global valuation allowances based on historical experience.

The allowance for receivables changed as follows:

Valuation allowances for doubtful receivables

in CHF m	2023	2022
Balance at 1 January	(2.0)	(3.0)
Disposals from the scope of consolidation	0.5	1.0
Increase in allowance	(2.7)	(1.2)
Utilisation of allowance	0.1	0.8
Reversal of allowance	0.0	0.1
Currency differences	0.2	0.2
Carrying amount at 31 December	(3.8)	(2.0)

Allowances for doubtful receivables are recorded in an allowance account. No valuation allowances were required for financial instruments in categories other than receivables at the end of the reporting period. Receivables judged to be unrecoverable are written off as realised losses.

15 Inventories and work in progress

in CHF m	2023	2022
Raw materials and supplies	93.8	109.1
Work in progress at cost of conversion	18.2	120.7
Work in progress (percentage of completion)[1]	160.3	54.3
Semi-finished goods	11.4	10.9
Finished goods	1.3	2.5
Valuation allowances	(24.4)	(26.0)
Total inventories and work in progress	260.6	271.5

[1] The key figures for work in progress, which is measured using the percentage of completion method, are explained in further detail below.

In the reporting period, a total of CHF 200.3 million (previous year: CHF 322.6 million) in raw materials and supplies, semi-finished and finished goods, and work in progress was charged to cost of materials.

In the reporting year, inventories and work in progress had to be written down to net realisable value with an effect on income of CHF 1.3 million (previous year CHF 2.4 million). Impairment losses and reversals of impairment losses on inventories are recognised in cost of materials.

16 Percentage of Completion (PoC)

in CHF m	2023	2022
Cumulative results at the end of the reporting period		
Aggregated contract sales at the end of the reporting period	1606.2	1528.2
Aggregated contract costs at the end of the reporting period	(1192.1)	(1094.4)
Realised margin at the end of the reporting period	414.1	433.8
Cumulative carrying amounts of ongoing projects at the end of the reporting period		
Gross amount due from customers for contract work	160.3	54.3
Gross amount due to customers for contract work	(56.0)	(72.0)
Net position	104.3	(17.7)
Advances received from customers relating to PoC contracts	14.7	4.4

The above table shows the aggregated sales and costs – on a cumulative basis across several periods – for the long-term construction and service contracts not yet concluded at the end of the reporting period. Projects concluded as at the end of the reporting period are not included here. The "Gross amount due from customers for contract work" relates to long-term construction and service contracts for which the realisable order sales exceed the sales already invoiced. Long-term construction and service contracts for which the sales already invoiced exceed the realisable order sales are recognised under "Gross amount due to customers for contract work" (see Note 23 "Deferred income and accrued expenses"). In the year under review, sales totalling CHF 302.7 million (previous year: CHF 372.2 million) were recognised from long-term construction and service contracts.

As at the balance sheet date, RUAG International had received advances for ongoing contract work that had not yet been invoiced totalling CHF 14.7 million (previous year: CHF 4.4 million). These advances are recognised under "Advances received from customers".

17 Property, plant and equipment

in CHF m	Plant and equipment	Other[1]	Land[2]	Buildings	Assets under construction	Property, plant and equipment
At cost						
As at 1 January 2022	513.6	170.3	25.6	122.2	12.2	843.9
Business combination	2.0	0.0	—	—	—	2.0[4]
Eliminations from the scope of consolidation	(350.9)	(67.5)	(1.2)	(28.6)	(9.9)	(458.2)[3]
Additions	13.4	4.5	—	1.8	16.2	35.9
Disposals	(5.1)	(3.2)	—	(0.1)	(0.2)	(8.5)
Reclassifications	1.8	0.6	—	0.7	(3.1)	—
Foreign currency translation adjustments	(18.4)	(4.8)	(0.1)	(2.3)	(0.8)	(26.3)
As at 31 December 2022	156.4	99.9	24.4	93.7	14.5	388.8
Accumulated depreciation and impairment losses						
As at 1 January 2022	333.7	129.4	0.2	72.8	0.3	536.4
Eliminations from the scope of consolidation	(207.3)	(51.5)	(0.2)	(11.7)	—	(270.7)[3]
Depreciation	16.3	9.2	—	3.9	—	29.4
Impairment	2.0	0.0	—	—	—	2.0[4]
Reversal of impairment	(10.1)	(2.3)	—	(0.3)	—	(12.7)[5]
Disposals	(5.0)	(3.0)	—	(0.1)	—	(8.1)
Reclassifications	0.1	0.1	—	(0.0)	(0.2)	—
Foreign currency translation adjustments	(10.7)	(4.1)	(0.0)	(1.0)	(0.0)	(15.8)
As at 31 December 2022	118.9	77.8	0.0	63.6	0.0	260.5
At cost						
As at 1 January 2023	156.4	99.9	24.4	93.7	14.5	388.8
Eliminations from the scope of consolidation	(34.3)	(6.0)	—	(2.2)	(3.2)	(45.7)[3]
Additions	13.2	11.9	—	1.6	22.3	48.9
Disposals	(3.2)	(3.6)	(21.3)	(60.8)	(0.5)	(89.4)[7]
Reclassifications	6.3	3.1	—	0.1	(9.4)	(0.0)
Foreign currency translation adjustments	(6.2)	(2.3)	(0.0)	(1.1)	(1.3)	(10.9)
As at 31 December 2023	132.2	103.0	3.1	31.3	22.3	291.8
Accumulated depreciation and impairment losses						
As at 1 January 2023	118.9	77.8	0.0	63.6	0.0	260.5
Eliminations from the scope of consolidation	(22.3)	(3.6)	—	(1.3)	—	(27.2)[3]
Depreciation	5.8	5.9	0.0	2.8	—	14.6
Impairment	0.6	0.0	—	—	—	0.7
Reversal of impairment	(9.9)	(1.1)	—	(1.1)	—	(12.0)[6]
Disposals	(2.8)	(3.5)	—	(43.6)	—	(49.9)[7]
Reclassifications	0.0	0.1	—	0.0	(0.0)	0.0
Foreign currency translation adjustments	(3.4)	(1.7)	(0.0)	(0.7)	—	(5.8)
As at 31 December 2023	86.9	74.0	0.0	19.8	—	180.8
Net carrying amounts						
As at 1 January 2022	179.8	40.9	25.4	49.4	12.0	307.5
As at 31 December 2022	37.4	22.1	24.4	30.0	14.4	128.3
As at 31 December 2023	45.3	29.0	3.1	11.5	22.3	111.0

[1] Fixtures and fittings, information technology, motor vehicles and aircraft.
[2] As at 31 December 2022, the book value of undeveloped land amounted to CHF 0.0 million (previous year: CHF 2.2 million).
[3] The divestments of RUAG Aerospace Structures GmbH and RUAG Aerostructures Hungary Zrt. as at 31 December 2023 in the Aerostructures division led to the disposals in the scope of consolidation in the reporting year. The divestments of the Ammotec and MRO International divisions (S&T and RUAG Australia Pty Ltd) led to the disposals in the scope of consolidation in the previous year.
[4] The purchase of the Machining division from fitINDUSTRY Emmen AG resulted in the reintegration of Aerostructures Emmen with a first-time consolidation and simultaneous full impairment in the previous year.
[5] The recovery of the market situation in the aviation industry in the Aerostructures division resulted in a reversal of impairment losses on property, plant and equipment in the previous year.
[6] As part of an impairment test and the existence of net realisable values in the Aerostructures division, impairment losses on property, plant and equipment were reversed in the reporting year.
[7] Sales of land and buildings in Switzerland led to disposals in the reporting year.

The total amount of property, plant and equipment pledged as collateral is listed in Note 30 "Assets pledged as collateral".

18 Intangible assets

in CHF m

	Patents and developments	Trademarks and prototypes	Licences and rights	Order backlog and customer lists/ relationships	ERP systems	Intangible assets in progress	Intangible Assets
At cost							
As at 1 January 2022	2.0	9.6	11.4	117.9	14.2	7.7	162.8
Eliminations from the scope of consolidation	(2.0)	(9.3)	(5.0)	(13.2)	(9.7)	(0.3)	(39.4)[1]
Additions	—	—	0.6	—	0.3	3.9	4.8[2]
Disposals	—	—	—	—	—	(5.4)	(5.4)[3]
Reclassifications	—	—	0.2	—	—	(0.2)	—
Foreign currency translation adjustments	—	(0.3)	(0.2)	(1.7)	(0.9)	(0.4)	(3.6)
As at 31 December 2022	—	—	7.0	103.0	3.9	5.2	119.1
Accumulated amortisation and impairment losses							
As at 1 January 2022	2.0	9.2	9.0	117.6	6.4	7.2	151.4
Eliminations from the scope of consolidation	(2.0)	(9.0)	(3.9)	(12.9)	(3.8)	(0.3)	(31.9)[1]
Depreciation	—	0.1	0.8	0.0	1.7	—	2.6
Reversal of impairment	—	—	(0.0)	—	—	(0.2)	(0.3)
Disposals	—	—	(0.0)	—	—	(5.4)	(5.4)[3]
Foreign currency translation adjustments	—	(0.3)	(0.2)	(1.7)	(0.5)	(0.2)	(2.9)
As at 31 December 2022	—	—	5.5	103.0	3.8	1.0	113.4
At cost							
As at 1 January 2023	—	—	7.0	103.0	3.9	5.2	119.1
Eliminations from the scope of consolidation	—	—	(2.4)	—	—	—	(2.4)[1]
Additions	—	—	0.4	—	—	7.2	7.6[2]
Disposals	—	—	(0.1)	—	—	—	(0.1)
Reclassifications	1.9	—	—	—	—	(1.9)	—
Foreign currency translation adjustments	(0.1)	—	(0.4)	(0.8)	(0.1)	(0.2)	(1.7)
As at 31 December 2023	1.8	—	4.6	102.2	3.8	10.2	122.6
Accumulated amortisation and impairment losses							
As at 1 January 2023	—	—	5.5	103.0	3.8	1.0	113.4
Eliminations from the scope of consolidation	—	—	(2.0)	—	—	—	(2.0)[1]
Depreciation	—	—	0.6	—	0.1	—	0.7
Reversal of impairment	—	—	(0.4)	—	—	—	(0.4)[4]
Disposals	—	—	(0.1)	—	—	—	(0.1)
Reclassifications	—	—	—	—	—	—	—
Foreign currency translation adjustments	—	—	(0.4)	(0.8)	(0.1)	—	(1.3)
As at 31 December 2023	—	—	3.2	102.2	3.8	1.0	110.2
Net carrying amounts							
As at 1 January 2022	0.0	0.4	2.4	0.3	7.7	0.5	11.4
As at 31 December 2022	—	—	1.5	—	0.1	4.1	5.7
As at 31 December 2023	1.8	—	1.4	—	—	9.2	12.4

1 The divestments of RUAG Aerospace Structures GmbH and RUAG Aerostructures Hungary Zrt. led to disposals in the scope of consolidation in the reporting year. The divestments of the Ammotec division, S&T division (MRO International) and RUAG Australia Pty Ltd (MRO International) led to the disposals from the scope of consolidation in the previous year.

2 The additions in the reporting year are mainly due to the introduction of various Group-wide IT projects and the "Constellation On Board Computer" project at Beyond Gravity in Austria.In the previous year, additions were mainly attributable to intangible assets in progress in the area of research and development for the Kuiper project at Beyond Gravity in Sweden and also to the "Constellation On Board Computer" project at Beyond Gravity in Austria.

3 The disposals in the previous year are mainly due to the final termination of the ERP project Impulse (assets in progress) at RUAG Aerostructures Germany.

4 As part of an impairment test and the existence of net realisable values in the Aerostructures division, impairment losses on intangible assets were reversed in the reporting year.

Scheduled amortisation and extraordinary impairment of intangible assets are reported in the consolidated income statement under "Amortisation and impairment of intangible assets".

Goodwill The goodwill from acquisitions is offset directly against the equity at the time of acquisition. The theoretical capitalisation, based on a useful life of five years, would have the following impact on the consolidated financial statements:

Theoretical movement schedule for goodwill

in CHF m

	Space	Aerostructures	MRO International	Ammotec	Total
At cost					
As at 1 January 2022	60.6	—	7.4	11.6	79.6
Business combination	—	—	—	—	—
Adjustments	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	(7.4)	(11.0)	(18.3)
Foreign currency translation adjustments	(1.1)	—	(0.0)	(0.7)	(1.8)
As at 31 December 2022	59.5	—	—	—	59.5
Accumulated amortisation					
As at 1 January 2022	60.6	—	7.4	11.5	79.5
Theoretical ordinary amortisation	—	—	—	0.0	0.0
Eliminations from the scope of consolidation	—	—	(7.4)	(10.9)	(18.2)
Foreign currency translation adjustments	(1.1)	—	(0.0)	(0.7)	(1.8)
As at 31 December 2022	59.5	—	—	—	59.5
At cost					
As at 1 January 2023	59.5	—	—	—	59.5
Business combination	—	—	—	—	—
Adjustments	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	—	—	—
Foreign currency translation adjustments	(0.4)	—	—	—	(0.4)
As at 31 December 2023	59.1	—	—	—	59.1
Accumulated amortisation					
As at 1 January 2023	59.5	—	—	—	59.5
Theoretical ordinary amortisation	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	—	—	—
Foreign currency translation adjustments	(0.4)	—	—	—	(0.4)
As at 31 December 2023	59.1	—	—	—	59.1
Theoretical net book value					
As at 1 January 2022	0.0	—	—	0.1	0.1
As at 31 December 2022	—	—	—	—	—
As at 31 December 2023	—	—	—	—	—

Capitalising the goodwill and amortising it over five years would have the following theoretical impact on the consolidated income statement and consolidated balance sheet:

Impact on consolidated income statement

in CHF m	2023	2022
Earnings before interest and taxes (EBIT)	28.1	177.9
Theoretical amortisation of goodwill	–	(0.0)
Theoretical EBIT incl. amortisation of goodwill	28.1	177.8
Net profit	0.5	154.3
Theoretical amortisation of goodwill	–	(0.0)
Theoretical net profit incl. amortisation of goodwill	0.5	154.2

Impact on consolidated balance sheet

in CHF m	2023	2022
Equity according to the balance sheet	490.8	686.4
Theoretical capitalisation of net book value of goodwill	–	–
Theoretical equity incl. net book value of goodwill	490.8	686.4

19 Financial liabilities

Current financial liabilities

in CHF m	2023	2022
Financial liabilities towards third parties[1]	0.2	5.7
Total current financial liabilities	0.2	5.7

[1] This item primarily includes the negative replacement values of foreign currency forward transactions.

Non-current financial liabilities

in CHF m	2023	2022
Financial liabilities towards third parties	0.1	0.2
Total non-current financial liabilities	0.1	0.2

The carrying amounts of the non-current financial liabilities are a reasonable approximation of their fair value. The average rate of interest on non-current financial liabilities in the year under review was 0% (previous year: 0%).

Maturity structure of current and non-current financial liabilities

in CHF m	2023	2022
Up to 1 year	0.2	5.7
Up to 2 years	0.1	0.2
Up to 3 years	0.0	0.1
Total financial liabilities	0.4	5.9

Currencies of financial liabilities

in CHF m	2023	2022
CHF	0.0	0.0
EUR	0.3	2.5
USD	0.0	2.0
SEK	0.0	1.1
Other	0.0	0.3
Total financial liabilities	0.4	5.9

20 Trade accounts payable and prepayments

in CHF m	2023	2022
Trade accounts payable	27.2	39.7
Total trade accounts payable	27.2	39.7
Prepayments from customers	193.5	147.9
Total prepayments from customers	193.5	147.9
Total trade accounts payable and prepayments	220.7	187.6

Currencies of trade accounts payable and prepayments

in CHF m	2023	2022
CHF	17.3	14.3
EUR	57.8	52.0
USD	130.5	117.7
SEK	13.8	2.6
GBP	0.1	0.7
Other	1.2	0.2
Total trade accounts payable and prepayments	220.7	187.6

21 Other current liabilities

in CHF m	2023	2022
Due to third parties	10.8	12.3
Due to government bodies	1.1	3.0
Total other current liabilities	11.9	15.3

22 Other non-current financial liabilities

in CHF m	2023	2022
Due to third parties	0.2	0.4
Total other non-current liabilities	0.2	0.4

23 Deferred income and accrued expenses

in CHF m	2023	2022
Deferred income and accrued expenses for PoC orders	56.0	72.0
Income relating to future periods	0.6	0.5
Outstanding trade accounts payable	22.8	24.3
Personnel-related accrued expenses	7.2	6.2
Other deferred income and accrued expenses	17.2	10.1
Total deferred income and accrued expenses	103.8	113.2

24 Provisions

in CHF m

	Restructuring	Contract losses	Warranties	Holiday and overtime	Loyalty bonuses and anniversary benefits	Other	Total
Balance at 1 January 2022	4.7	29.8	8.4	18.3	7.4	40.6	109.3
Business combination	—	—	—	—	—	0.3	0.3
Eliminations from the scope of consolidation	(1.1)	(2.7)	(6.5)	(12.0)	(2.6)	(7.5)	(32.3)
Additions	3.0	8.3	1.9	17.6	0.2	18.7	49.7
Release of unused provisions	(1.3)	(22.3)	(1.7)	(1.4)	(0.3)	(11.0)	(38.1)
Use of provisions	(1.4)	(6.2)	(0.5)	(10.1)	(1.0)	(7.2)	(26.4)
Foreign currency translation adjustments	(0.3)	(0.8)	(0.4)	(1.0)	(0.2)	(1.1)	(3.7)
Balance at 31 December 2022	3.6	6.0	1.2	11.4	3.6	32.8	58.6
Current provisions	3.6	1.4	0.8	11.4	—	10.2	27.5
Non-current provisions	0.1	4.6	0.3	—	3.6	22.6	31.1
Balance at 1 January 2023	3.6	6.0	1.2	11.4	3.6	32.8	58.6
Business combination	—	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	(0.5)	(2.3)	(0.6)	(1.4)	(4.8)
Additions	—	3.9	0.1	8.3	0.3	12.3	24.8
Release of unused provisions	(0.5)	(0.3)	(0.0)	—	(0.0)	(3.9)	(4.7)
Use of provisions	(2.9)	(3.5)	—	(7.5)	(0.4)	(2.7)	(17.0)
Foreign currency translation adjustments	(0.1)	(0.1)	(0.0)	(0.5)	(0.1)	(0.8)	(1.7)
Balance at 31 December 2023	0.1	5.9	0.6	9.4	2.7	36.4	55.2
Current provisions	0.1	3.6	0.2	9.4	—	6.9	20.3
Non-current provisions	—	2.3	0.4	—	2.7	29.5	35.0

In the reporting year, the following significant events led to changes in the respective provision categories:

Provisions for restructuring The restructuring of the Space division initiated at the end of 2020 was completed in 2023 and most of the provisions recognised were utilised.

Provisions for contract losses Provisions totalling CHF 3.9 million were recognised Group-wide for contract-related losses in the course of ordinary business activities. In addition, CHF 3.5 million in provisions for contract losses were utilised in the reporting year.

Other provisions In the reporting year, CHF 8.1 million in other provisions was recognised for potential legal cases, contractual risks and warranties. A provision of CHF 1.2 million was recognised for contractual liabilities in connection with the early termination of contracts. In connection with asset retirement obligations for new locations, provisions in the amount of of CHF 1.1 million were recognised. In addition, other provisions totalling CHF 2.0 million were recognised Group-wide for other identified risks in connection with ordinary business activities.

Provisions totalling CHF 2 million were reversed in connection with potential legal cases and contractual risks.

In the previous year, CHF 14.8 million in other provisions was recognised for potential legal cases, contractual risks and warranties. A provision of CHF 1.0 million was recognised for contractual liabilities in connection with the early termination of rental agreements. In addition, other provisions totalling CHF 3.0 million were recognised across the Group for restoration obligations and for other identified risks in connection with ordinary business activities.

25 Employee benefit obligations

The RUAG International Group maintains various employee benefit plans. The main employee benefit plans are in Switzerland, Sweden, and until the sale of the Ammotec business segment on 31 July 2022, also in Germany, the plan in Switzerland being administered by a legally autonomous organisation.

Employee benefit plan in Switzerland All RUAG International employees in Switzerland have been insured against the risks of old age, death and disability with the Livica Sammelstiftung (collective foundation). Livica Sammelstiftung is a fully autonomous employee benefit fund set up in line with the Swiss defined contribution system. It has the legal status of a foundation. In addition to the compulsory benefits, the employee benefit fund also provides benefits over and above the compulsory minimum under the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Schemes (BVG). The affiliation of a company is based on the pension fund regulations on the basis of a written affiliation agreement, which must be brought to the attention of the supervisory authority. In principle, the affiliated company shall form its own pension fund within the foundation. Livica Sammelstiftung is registered with and regulated by the Bern supervisory authority for occupational retirement schemes and foundations. Livica Sammelstiftung is subject to the provisions of the BVG. Under those provisions, the management body of the employee benefit fund is also responsible for ensuring that, in the event of a deficit, restructuring measures are decided and implemented so as to restore the funding level of future employee benefits to 100% within a reasonable period. These measures include making additional contributions to rehabilitate the fund. Key decisions concerning the benefits offered by the individual pension funds are taken by the pension fund committees, which is made up in equal numbers of employee and employer representatives.

Employee benefit plan in Sweden The existing ITP plan was renegotiated with effect from 1 January 2007, and became a defined contribution plan (ITP 1) from that point onwards. However, all staff born before 1979 are still insured under the ITP 2 defined benefit plan. Alongside a final salary retirement pension, the plan also includes surviving dependants and disability pension cover provided by Alecta.

Employee benefit plan in Germany The pension commitments in Germany were made with respect to active and retired employees which cover old-age, loss of income and survivors' pensions. The pension scheme was essentially divided into the basic pension, which was provided through a direct commitment by RUAG Ammotec GmbH, and the supplementary pension. The basic pension was determined by salary components up to the contribution assessment ceiling in the statutory pension insurance scheme. The supplementary pension was made up of salary-dependent contributions for remuneration components above the contribution assessment ceiling.

A three-part pension commitment has been put in place for certain management staff. This was composed of a basic pension primarily based on final salary, and two defined contribution components. The annual increment of the pension entitlement in this case was based on the bonus awarded or on a conversion of earnings into pension contributions (whereby the employees decide, within predefined limits, on the percentage to be converted) and was topped up by an additional contribution from the employer.

In addition to the pension obligations, the Group provides other long-term employee benefits comprising loyalty bonuses and anniversary benefits (see Note 24, "Provisions").

The following table shows the economic benefit as well as the economic liability at the end of the reporting period and of that of the previous year and the corresponding change in the pension expense:

in CHF m	Surplus/ deficit in accordance with FER 26 2023	Group's economic share 2023	Group's economic share 2022	Foreign currency translation adjust-ments	Year-on-year changes/ expenses for reporting period	Contribu-tions accrued for the period	Expense of benefit plans in personnel expenses 2023	Expense of benefit plans in personnel expenses 2022
Patronal financing foundation	–	–	–	–	–	–	–	–
Benefit plans without surplus/deficit	–	–	–	–	–	–	–	(9.0)
Benefit plans with surplus	–	–	–	–	–	–	–	–
Benefit plans with deficit	–	–	–	–	–	–	–	–
Benefit plans without plan assets	–	23.3	22.7	1.3	(2.0)	(13.5)	(15.5)	10.5
Total	–	23.3	22.7	1.3	(2.0)	(13.5)	(15.5)	1.5

The benefit plans without surplus/deficit include the Livica Sammelstiftung defined benefit plan in Switzerland and the defined benefit basic pension scheme in Germany. The recog-nised economic liabilities for benefit plans without plan assets, i.e. unfunded plans, amount to CHF 23.3 million (previous year: CHF 22.7 million) and mainly relate to the pension plans in Germany and Sweden.

The following table shows the summary of the pension expense for the reporting period and the previous year:

in CHF m	Switzerland 2023	Abroad 2023	Total 2023	Switzerland 2022	Abroad 2022	Total 2022
Contributions to benefit and contribution plans at expense of Group companies	(9.4)	(4.1)	(13.5)	(11.9)	(6.7)	(18.6)
Contributions to benefit and contribution plans from employer contribution reserves	–	–	–	–	–	–
Total contributions	(9.4)	(4.1)	(13.5)	(11.9)	(6.7)	(18.6)
+/– change in ECR from portfolio performance, impairment etc.	–	–	–	–	–	–
Contributions and change in employer contribution reserves	(9.4)	(4.1)	(13.5)	(11.9)	(6.7)	(18.6)
Decrease/increase in economic liability of Group from benefit and contribution plans without surplus/deficit	–	–	–	–	4.7	4.7
Decrease/increase in economic liability of Group (plans without plan assets)	–	(2.0)	(2.0)	–	15.4	15.4
Total change in economic impact from surpluses/deficits	–	(2.0)	(2.0)	–	20.1	20.1
Total expense of benefit and contribution plans for period	(9.4)	(6.1)	(15.5)	(11.9)	13.4	1.5

The change in recognised economic liabilities from benefit plans and paid-in employer contributions for the reporting year amount to CHF –15.5 million (previous year: CHF 1.5 million). These are fully included in personnel expenses in the reporting year, as was the case in the previous year.

26 Share capital

The share capital comprises a total of 2,179,000 fully paid-up shares with a par value of CHF 100 each. There is no conditional share capital. All shares in RUAG International Holding Ltd are owned by the Swiss Confederation.

27 Contingent liabilities towards third parties

in CHF m	2023	2022
Group guarantees	32.3	34.8
Total contingent liabilities towards third parties	32.3	34.8

Group guarantees are primarily performance and bid guarantees from operational towards customers.

28 Additional contingent liabilities not stated on the balance sheet

in CHF m	2023	2022
Warranty agreements	0.5	–
Other liabilities not stated on the balance sheet	0.4	0.4
Total additional contingent not stated on the balance sheet	0.9	0.4

29 Future minimum commitments from leasing transactions

Operating leases

in CHF m	2023	2022
Within 1 year	19.7	17.0
Later than 1 year, within 5 years	73.5	49.1
After 5 years	78.9	54.3
Total	172.1	120.4

These comprise off-balance sheet obligations under operating leases (including rental agreements).

30 Assets pledged as collateral

in CHF m	2023	2022
Cash and cash equivalents	0.0	0.5
Property	–	0.8
Total assets pledged as collateral	0.0	1.3

31 Related party transactions

in CHF m	2023	2022
Receivables from related parties	0.0	0.0
Liabilities to related parties	(0.5)	(0.7)
Current liabilities to pension funds	(0.3)	–

The receivables from and liabilities to related parties in the reporting year and in the previous year are attributable in full to the RUAG MRO Holding Ltd Group.

Invoiced sales with the DDPS totalled CHF 0.2 million (previous year CHF 53.1 million) (see also Note 6 “Net sales”). In addition, revenue of CHF 0.9 million (previous year CHF 1.6 million) was generated with RUAG MRO Holding Ltd. In return, materials and services totalling CHF 11.9 million (previous year CHF 18.1 million) were purchased. There were no loans between Group companies and members of the Board of Directors.

The current liabilities to pension funds relate to savings and risk contributions for the month of December 2023.

32 Remuneration of key management personnel

The total remuneration of the non-executive members of the Board of Directors for the year under review was CHF 489,000 (previous year CHF 488,000).[1] The number of members on the Board of Directors including the Chairman was five in the year under review (previous year five).

The total remuneration of the CEO and the Executive Committee for the year under review was CHF 3,804,000 (previous year CHF 3,839,000).[1,2] The total remuneration of the CEO for the year under review was CHF 843,000 (previous year CHF 861,000.[1] The number of members of the Executive Committee including the CEO in the year under review was 7 (previous year 6).[3]

Overview of remuneration paid to members of the Board of Directors and the Executive Committee:

	Total		Highest Total remuneration[4]	
in CHF thousands	2023	2022	2023	2022
Board of Directors remuneration				
Cash compensation	480	470	176	176
Employer contributions to pension fund	9	18	—	—
Total remuneration paid to members of the Board of Directors	489	488	176	176
Basic salary of Executive Committee				
Cash compensation	2427	2517	524	524
Benefits in kind	76	55	11	11
Employer contributions to pension fund	316	303	72	72
Performance-based component Executive Committee				
Cash compensation	859	839	205	223
Employer contributions to pension fund	125	125	32	31
Other long-term employee benefits	—	—	—	—
Total remuneration to members of the Executive Committee	3804	3839	843	861
of which cash compensation	3287	3356	729	747
of which benefits in kind	76	55	11	11
of which employer contributions to pension fund	441	428	104	103
of which other long-term employee benefits	—	—	—	—
Ratio of performance-based compensation to fixed cash compensation	35%	33%	39%	43%
Total remuneration to members of the Board of Directors and Executive Committee	4292	4327		
of which short-term employee benefits[5]	3843	3881		
of which employer contributions to pension fund	450	446		
of which other long-term employee benefits	—	—		

[1] The total remuneration amounts are exclusive of employer social security contributions.
[2] Financial year 2023 includes member Anders Linder (who left on 30 September 2023) and the new members of the Executive Committee Laura-Katrin Seitz (joined on 1 March 2023) and Caroline Schmitt (joined on 15 May 2023).
[3] In financial year 2023, the number refers to the members as at 31 December 2023.
[4] The highest total remuneration in the Board of Directors in 2023 refers to the position of Chairman of the Board of Directors. The highest total remuneration 2023 in the Executive Committee refers to the CEO.
[5] Includes the positions cash compensation and benefits in kind.

33 Risk management process, financial risk management and capital management

Risk management process

RUAG International has a risk management system which records strategic and potentially dangerous risks as well as operational risks and focuses on relevant topics from the perspective of the Group and the business segments. Risks are identified, assessed and monitored in the individual business segments using a structured, bottom-up risk assessment. In order to prevent or reduce the individual risks, the appropriate measures are defined and implemented. At Group level, the aggregate risks relevant for the Group are monitored and managed by the executive management. The Board of Directors deals intensively with strategic and potentially dangerous risks twice a year or as required.

The risks identified are assessed in terms of probability of occurrence and impact, and are entered on the Group's risk map. This risk map is periodically discussed with the executive management, the Audit Committee and the entire Board of Directors. Depending on the way responsibilities are defined, the executive management or business segment management are responsible for the ongoing monitoring, control and management of risks. As part of this, management is supported by the Risk Management Team at Group level in training sessions or moderating workshops.

Financial risk management

RUAG International is exposed to various financial risks as a result of its business activities. The most significant financial risks arise from changes in exchange rates, interest rates and commodity prices. A further risk is the ability to secure adequate liquidity.

Financial risk management is a central function and is performed at Group level by the Corporate Treasury department, in compliance with the directives issued by the Board of Directors. Corporate Treasury identifies, evaluates and hedges financial risks in close cooperation with the operating units.

a. Market risks

RUAG International is exposed to market risks that largely relate to changes in exchange and interest rates and would therefore impact the value of the financial instruments held or the income/expenses associated with these. The Group monitors these risks continuously.

It employs a number of derivative financial instruments to manage the volatility associated with these risks. The Group's objective is to reduce – where appropriate – fluctuations in earnings and cash flows associated with changes in interest rates, exchange rates and the value of financial assets.

In compliance with Group policy, RUAG International employs derivative financial instruments (e.g. foreign currency forward transactions) to manage risk. RUAG International avoids any financial transaction in which the risk cannot be gauged at the time the transaction is concluded. The Group does not sell any assets that it does not own or does not know that it will own. RUAG International sells only existing assets and hedges only existing transactions and (in the case of forward hedges) forecasted transactions that can be expected to materialise on the basis of past experience.

Exchange rate risk The consolidated financial statements are presented in Swiss francs (CHF). The Group is mainly subject to changes in the exchange rates of the euro, US dollar and Swedish krona. In the case of transaction risk, it faces the risk of fluctuations in the value of foreign currencies between the date of a contractual agreement and the actual date of payment. Accordingly, RUAG International employs different contracts to compensate for exchange rate-induced changes in asset values, firm commitments and forecasted transactions. RUAG International also employs forward transactions and currency options to hedge certain cash flows anticipated in foreign currency.

At the end of the previous year and the reporting period, the following foreign currency positions were recognised in the balance sheet in relation to financial assets and liabilities:

as at 31 December 2022

in CHF m	EUR	USD	SEK	GBP	Other
Cash and cash equivalents	190.7	28.3	17.2	0.5	3.7
Trade receivables/other receivables	34.4	39.6	2.1	0.1	0.1
Other financial assets	0.6	4.2	1.2	—	—
Financial liabilities	(2.5)	(2.0)	(1.1)	—	(0.3)
Trade accounts payable/other liabilities	(15.4)	(21.1)	(4.3)	(0.7)	(0.9)
Other financial liabilities	—	—	(0.4)	—	—
Total foreign currency positions as at balance-sheet date from financial assets and liabilities	207.8	48.9	14.9	(0.0)	2.5

as at 31 December 2023

in CHF m	EUR	USD	SEK	GBP	Other
Cash and cash equivalents	206.2	48.1	9.8	0.7	1.0
Trade receivables/other receivables	30.8	18.2	2.0	0.2	0.3
Other financial assets	1.1	5.1	0.2	—	—
Financial liabilities	(0.3)	(0.0)	(0.0)	—	(0.0)
Trade accounts payable/other liabilities	(13.0)	(5.2)	(6.1)	(0.1)	(0.0)
Other financial liabilities	—	—	(0.2)	—	—
Total foreign currency positions as at balance-sheet date from financial assets and liabilities	224.7	66.3	5.7	0.7	1.3

The following currency hedging transactions existed as at 31 December:

Volume of contracts

in CHF m	2023	2022
Currency hedging contracts banks (Sale of foreign currency)	230.1	284.2
Currency hedging contracts banks (Purchase of foreign currency)	(11.8)	(69.9)

Carrying amounts

in CHF m	2023	2022
Current financial assets	6.0	5.5
Non-current financial assets	0.1	0.1
Current financial liabilities	(0.2)	(5.7)
Non-current financial liabilities	(0.1)	(0.2)

The carrying amounts mainly contain the positive and negative replacement values from foreign currency forward transactions that are recognised at fair value. The following tables show the contractual due dates of the foreign currency forward transactions held by RUAG International at the end of the previous year and of the reporting year:

as at 31 December 2022

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Over 3 years	Total
Foreign currency forward transactions used for hedging purposes:					
Outflows	(5.7)	(0.2)	(0.1)	—	(5.9)
Inflows	5.5	0.1	0.0	—	5.6
	(0.2)	(0.1)	(0.0)	—	(0.3)

as at 31 December 2023

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Over 3 years	Total
Foreign currency forward transactions used for hedging purposes:					
Outflows	(0.2)	(0.1)	(0.0)	—	(0.4)
Inflows	6.0	0.1	0.0	—	6.2
	5.8	(0.0)	(0.0)	—	5.8

Hedge accounting RUAG International carries out foreign currency forward transactions to hedge future transactions in relation to its operational business (hedging future revenues or purchases of goods and services in the corresponding currencies); these hedging transactions have been designated for hedge accounting. The hedging reserve under shareholders' equity (other reserves) included the following as at 31 December:

in CHF m	2023	2022
Other reserves	(0.6)	(3.4)

RUAG International provides certain foreign Group companies with loans in foreign currencies. These loans are not hedged. As repayment is neither planned nor likely in the foreseeable future, these items are quasi-equity loans. Therefore, the foreign currency gains/losses are recognised directly in equity. Cumulative foreign currency losses for these loans booked to equity as at 31 December 2023 amounted to CHF 48.7 million (previous year: CHF 39.8 million).

Commodity price risk In buying commodities (particularly copper, lead, steel, zinc, aluminium, etc.) to be used as raw materials in production, the company is subject to a price risk. Commodity price changes can affect the gross profit margins of the operations concerned. In the previous year, until the sale of the Ammotec business unit, RUAG International mainly entered into forward exchange transactions to minimise price fluctuation risks on planned purchases. The price fluctuation risk has decreased following the sale of the Ammotec business unit.

The following table shows an overview of the annual consumption of commodities.

Consumption

in CHF m	2023	2022
Aluminium	1.9	1.4
Lead	—	7.4
Copper	—	31.9
Steel	0.4	2.8
Titanium	0.0	0.0
Zinc	—	6.1
Other	—	0.7
Total	2.3	50.4

b. Credit risk
Credit risks arise in particular when customers are not in a position to fulfil their contractual commitments. To manage this risk, the Group periodically evaluates customers' solvency.

As at the balance sheet date, there are no heavily concentrated default risks with regard to the recognised trade receivables.

The carrying amount of financial assets corresponds to the maximum credit risk of RUAG International and is composed as follows:

in CHF m	2023	2022
Cash and cash equivalents	457.0	570.3
Current financial assets	6.0	5.5
Trade receivables		
Other current receivables	62.5	92.9
Non-current financial assets	0.4	0.5
Total credit risk	525.9	669.2

Counterparty risk comprises the risk of default on derivative financial instruments and money market transactions and the credit risk on current account balances and time deposits. Default risk and credit risk are minimised by choosing as counterparties only banks and financial institutions that have an optimum credit rating when the transaction is concluded. These risks are regularly monitored to ensure that they remain within the prescribed parameters. Group guidelines ensure that the credit risk in respect of financial institutions is limited. At present, the Group does not expect any losses arising from counterparties' non-fulfilment of their contractual obligations.

c. Liquidity risk
Liquidity risk describes the risk that arises if the Group is not in a position to fulfil its obligations when due or at a reasonable price. Group Treasury is responsible for monitoring liquidity, financing and repayment. In addition, management controls processes and guidelines in this connection. To maintain flexibility, RUAG International manages its liquidity risk on a consolidated basis, drawing on business policy, tax and financial considerations and, if necessary, various funding sources. A rolling liquidity plan is drawn up on the basis of expected cash flows and is regularly updated.

On 10 December 2021, as part of the establishment of an independent financing solution, RUAG International signed a revolving, unsecured and committed syndicated loan agreement with a consortium of banks. As at 19 September 2022, the CHF 200 million portion of the cash credit limit was fully reduced and cancelled and the CHF 50 million deposit credit limit was reduced to CHF 30 million. As a result, RUAG International only has a bail-in credit limit of CHF 30 million, which was drawn down in the double-digit millions as at 31 December 2023.

This change had no impact on the covenants (minimum liquidity at Group level and minimum equity ratio) defined in the syndicated loan agreement of 10 December 2021.
All relevant key financial figures (covenants) were complied with as at 31 December 2023.

The net financial position is a key measure of liquidity management. The table below provides an analysis of the Group's net financial position by due date from the end of the reporting period to the contractual expiry date.

As at 31 December 2022

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Over 4 years	Total
Cash and cash equivalents	570.3	—	—	—	—	570.3
Current financial assets[1]	—	—	—	—	—	—
Non-current financial assets[1]	—	0.1	0.1	0.1	0.1	0.4
Current financial liabilities[1]	—	—	—	—	—	—
Non-current financial liabilities[1]	—	—	—	—	—	—
Other non-current financial liabilities	—	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
Net financial position	570.3	—	—	—	—	570.3
Prepayments from customers						147.9
Net financial position excl. customer prepayments						422.3

As at 31 December 2023

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Over 4 years	Total
Cash and cash equivalents	457.0	—	—	—	—	457.0
Current financial assets[1]	—	—	—	—	—	—
Non-current financial assets[1]	—	0.1	0.1	0.1	—	0.2
Current financial liabilities[1]	—	—	—	—	—	—
Non-current financial liabilities[1]	—	—	—	—	—	—
Other non-current financial liabilities	—	(0.1)	(0.1)	(0.1)	—	(0.2)
Net financial position	457.0	—	—	—	—	457.0
Prepayments from customers						193.5
Net financial position excl. customer prepayments						263.5

[1] Cash flow hedges recognised in current financial assets and liabilities are not part of the net financial position as they are not interest-bearing.

Capital management

In managing capital, RUAG International aims to ensure that the Group can continue its operating activities, that the owner receives an adequate return and that the balance sheet structure is optimised with regard to the cost of capital. In order to meet these objectives, RUAG International can apply for higher or lower dividend payments, repay capital to the share-holder, issue new shares, or dispose of assets in order to reduce debt. RUAG International monitors its capital structure on the basis of net financial position and equity. The net financial position is the sum of cash and cash equivalents, current and non-current financial assets minus current and non-current financial liabilities and other non-current liabilities.

34 Events after the reporting period

The Board of Directors of RUAG International Holding Ltd approved the consolidated financial statements for publication on 01 March 2024.

RUAG Aerostructures Switzerland Ltd and Pilatus Aircraft Ltd reached an agreement in January on the gradual takeover of all employees and the sale of all machines in the form of an asset deal. Completion is planned in stages over the course of 2024 and 2025. In this context, the assets to be sold were measured at their net realisable value as at the balance sheet date of 31 December 2023.

No material events have taken place since the end of the reporting period that would have an impact on the carrying values of the assets or liabilities as at 31 December 2023.

The right to approve the consolidated financial statements rests with the annual shareholders' meeting.

35 Consolidated companies and non-controlling interests (as at 31 December 2023)

Company	Head office	Country		Equity capital (100%)	Shareholding 2023	Shareholding 2022	Consolidation method
RUAG International Holding Ltd[1]	Bern	Switzerland	CHF	217 900 000			Full
Consolidated entities							
Beyond Gravity Switzerland Ltd	Emmen	Switzerland	CHF	112 200 000	100.0%	100.0%	Full
Beyond Gravity Services Ltd	Bern	Switzerland	CHF	100 000	100.0%	100.0%	Full
Beyond Gravity Slip Rings Ltd	Nyon	Switzerland	CHF	100 000	100.0%	100.0%	Full
Beyond Gravity USA Holding Inc.	Huntsville, AL	USA	USD	0.1	100.0%	100.0%	Full
Beyond Gravity USA Inc.	Huntsville, AL	USA	USD	25 000	100.0%	100.0%	Full
Beyond Gravity Germany GmbH	Coswig	Germany	EUR	26 000	100.0%	100.0%	Full
Beyond Gravity Holding Sweden AB	Gothenburg	Sweden	SEK	100 000	100.0%	100.0%	Full
Beyond Gravity Sweden AB	Gothenburg	Sweden	SEK	15 000 000	100.0%	100.0%	Full
Beyond Gravity Finland Oy	Tampere	Finland	EUR	2 500	100.0%	100.0%	Full
Beyond Gravity Austria GmbH	Vienna	Austria	EUR	1 500 000	100.0%	100.0%	Full
Beyond Gravity Advanced Systems Inc.[2]	Huntsville, AL	USA	USD	1 500	100.0%	100.0%	
RUAG Deutschland GmbH	Gilching	Germany	EUR	1 000 000	100.0%	100.0%	Full
RUAG Aerostructures Switzerland Ltd	Emmen	Switzerland	CHF	100 000	100.0%	100.0%	Full
RUAG Aerospace Structures GmbH	Gilching	Germany	EUR	25 000	0%	100.0%	Full
RUAG Aerostructures Hungary Zrt.	Eger	Hungary	HUF	609 000 000	0%	100.0%	Full
Minority interests							
Arianespace Participation	Evry	France	EUR	3 937 983	3.5%	3.5%	[2]
Flughafen Bern Ltd	Bern	Switzerland	CHF	14 310 000	0.0%	1.4%	[2]
Switzerland Innovation Park Biel/Bienne Ltd	Biel/Bienne	Switzerland	CHF	2 202 700	4.5%	4.5%	[2]

[1] RUAG International Holding Ltd, Bahnhofplatz 10b, CH-3011 Bern.
[2] Non-material investments are valued at cost minus a valuation allowance.

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To the Board of Directors of

RUAG International Holding Ltd, Berne

Berne, 1 March 2024

Independent auditor's report

Opinion
We have audited the financial statements of RUAG International Holding Ltd (the Company), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (page 36 to 73) have been prepared, in all material respects, in accordance with the accounting policies as described in note 2.

Basis for opinion
We conducted our audit in accordance with Swiss Standards on Auditing (SA-CH). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter – Basis of accounting
We draw attention to note 2 of the financial statements, which describes the basis of accounting. The prior year financial statements were prepared to ensure the comparability of the consolidated financial statements of RUAG International Holding AG with the prior period. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the accounting policies as described in note 2 , and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SA-CH will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

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

Ernst & Young Ltd

Martin Mattes (Qualified Signature)	Cristina Zimmermann (Qualified Signature)
Licensed audit expert (Auditor in charge)	Licensed audit expert

Enclosure
- Financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and notes)

Income statement for 1 January to 31 December

in CHF m	Note	2023	2022
Income from investments	2.4	8.4	184.6
Income from services		3.2	2.7
Reversal of impairment loss on financial assets	2.5	23.9	60.4
Total operating income		35.5	247.8
Investment expenses	2.4	(10.3)	—
Personnel expenses		(0.1)	(0.2)
Other operating expenses	2.6	(27.3)	(26.1)
Impairment losses on investments	2.7	—	(11.3)
Total operating expenses		(37.6)	(37.7)
Operating profit/loss		(2.1)	210.1
Financial income			
Interest income		29.4	16.2
Currency gains		—	—
Financial expenses			
Interest expense		(13.4)	(9.4)
Currency losses		(14.0)	(9.9)
Pre-tax profit (loss)		(0.1)	206.9
Income taxes		(0.2)	(0.1)
Net profit (loss)		(0.3)	206.9

The notes to the financial statements on pages 78 to 80 form an integral part of the financial statements.

Balance sheet as at 31 December

in CHF m	Note	2023	2022
Cash and cash equivalents		427.4	532.7
Current financial assets			
Due to third parties		4.1	3.7
Due to companies in which the entity holds an investment		18.4	—
Other current receivables			
Due to third parties		2.9	1.9
Due to companies in which the entity holds an investment		6.9	6.1
Prepaid expenses and accrued income			
Due to third parties		0.6	2.0
Due to companies in which the entity holds an investment		0.3	1.0
Total current assets		460.6	547.4
in % of total assets		47.1%	51.9%
Financial assets			
Due to companies in which the entity holds an investment[1]		186.3	176.0
Investments	2.1	331.7	331.7
Intangible assets		0.0	0.0
Total non-current assets		518.0	507.7
in % of total assets		52.9%	48.1%
Total assets		978.6	1055.1
Current interest-bearing liabilities			
Due to third parties		0.0	0.0
Due to companies in which the entity holds an investment		334.3	206.3
Other current interest-bearing liabilities			
Due to third parties		0.0	0.0
Due to companies in which the entity holds an investment		5.7	13.7
Other current liabilities			
Due to third parties		0.3	2.8
Due to companies in which the entity holds an investment		2.4	2.4
Current provisions		0.6	1.8
Deferred income and accrued expenses			
Due to third parties		1.1	0.7
Due to companies in which the entity holds an investment		7.7	0.7
Total current liabilities		352.1	228.4
Non-current provisions		12.1	12.1
Total non-current liabilities		12.1	12.1
Total liabilities		364.2	240.5
in % of total assets		37.2%	22.8%
Share capital	2.3	217.9	217.9
Legal capital reserve		378.0	578.0
Net profit (loss) brought forward		18.7	(188.2)
Net profit (loss)		(0.3)	206.9
Total equity		614.4	814.6
in % of total assets		62.8%	77.2%
Total liabilities and equity		978.6	1055.1

[1] Of which subordinated CHF 97.5 million (previous year CHF 79.6 million)

The notes to the financial statements on pages 78 to 80 form an integral part of the financial statements.

1 Principles

1.1 General

On 8 June 2022, BGRB Holding Ltd distributed its stake in RUAG MRO Holding Ltd to the Swiss Confederation. RUAG International Holding Ltd was then merged into BGRB Holding Ltd on 8 June 2022, after distribution of the dividend in kind, with retroactive effect from 1 January 2022. The merged company was renamed RUAG International Holding Ltd at the same time.

The key applied accounting principles that are not stipulated by law are described below. Here it must be noted that in order to ensure its long-term success, the company has made use of the option to create and release hidden reserves.

1.2 Financial assets

The financial assets include long-term loans. Loans provided in foreign currencies are valued using the closing rates on the balance-sheet-date; in this regard, unrealised losses are recognised, while unrealised profits are not (imparity principle).

1.3 Investments

Investments are measured at cost minus the required impairment. The carrying amounts are reviewed on an annual basis with regard to their value and, if necessary, written down. The valuations are checked in accordance with the individual valuation principle.

1.4 Foreign currency forward transactions

Positive and negative replacement values of foreign currency forward transactions which are subject to hedge accounting are not measured during their life because the net principle is applied. The contract volumes and replacement values of current transactions are listed in the notes under section 2.2.

1.5 Foreign currency valuation

Current assets and liabilities in foreign currencies are valued using the closing rates on the balance-sheet-date. Profits or losses are recognised on a “realised” basis. For non-current assets and liabilities, the imparity principle applies; any unrealised foreign exchange losses are treated as an expense, while unrealised profits are not recognised in the income statement.

1.6 Non-preparation of statement of cash flows and additional details in the notes

As RUAG International Holding Ltd prepares its consolidated financial statements in line with recognised accounting standards (Swiss GAAP FER), in accordance with the statutory provisions it has not provided details in the notes to the financial statements concerning interest-bearing liabilities and audit fees, and has not prepared a statement of cash flows.

2 Information on balance sheet and income statement items

2.1 Investments

a) Direct investments

Company	Head office	Country	Share of capital and voting rights 2023 in %	Share of capital and voting rights 2022 in %		Capital
Beyond Gravity Switzerland Ltd	Emmen	Switzerland	100	100	CHF	112 200 000
Beyond Gravity Services Ltd	Bern	Switzerland	100	100	CHF	100 000
Beyond Gravity Slip Rings Ltd	Nyon	Switzerland	100	100	CHF	100 000
Beyond Gravity Holding Sweden AB	Gothenburg	Sweden	100	100	SEK	100 000
RUAG Aerostructures Switzerland Ltd	Emmen	Switzerland	100	100	CHF	100 000
RUAG Deutschland GmbH	Gilching	Germany	100	100	EUR	1 000 000
RUAG Aerostructures Hungary Zrt.	Eger	Hungary	0.0	100	HUF	609 000 000
Switzerland Innovation Park Biel/Bienne Ltd	Biel/Bienne	Switzerland	4.5	4.5	CHF	2 202 700
Flughafen Bern AG	Bern	Switzerland	0.0	1.4	CHF	14 310 000

b) Material indirect investments

Company	Head office	Country	Share of capital and voting rights 2023 in %	Share of capital and voting rights 2022 in %		Capital
Beyond Gravity Sweden AB	Gothenburg	Sweden	100	100	SEK	15 000 000
Beyond Gravity USA Inc.	Huntsville	USA	100	100	USD	25 000
Beyond Gravity Austria GmbH	Vienna	Austria	100	100	EUR	1 500 000
RUAG Aerospace Structures GmbH	Wessling	Germany	0.0	100	EUR	25 000

2.2 Foreign currency forward transactions

in CHF m	2023	2022
Volume of foreign currency hedging contracts with banks	230.1	284.2
Volume of foreign currency hedging contracts with banks	(11.8)	(69.9)
Volume of foreign currency hedging contracts with Group companies	–	9.5
Volume of foreign currency hedging contracts with Group companies	(79.0)	(82.8)
Positive replacement value banks	6.2	5.6
Negative replacement value banks	(0.4)	(5.9)
Positive replacement value Group companies	0.1	1.9
Negative replacement value Group companies	(1.8)	(0.5)
Total replacement values	4.1	1.1

The contract volumes represent the volume of open foreign currency forward transactions as at year-end. The replacement values only contain the positive and negative replacement values from open foreign currency forward transactions as at year-end that are recognised at fair value.

2.3 Share capital

The share capital of CHF 217.9 million comprises 2.179 million registered shares, each with a nominal value of CHF 100.

2.4 Investment income/expenses

Investment income includes the ordinary dividend distributions from Beyond Gravity Holding Sweden AB. Investment income/expenses includes the results from the sale of divestments.

2.5 Impairment losses and reversals of impairment losses on financial assets

Financial assets are reviewed annually for impairment, if events or circumstances give reason to suspect that the book value may no longer be recoverable. When recoverability is restored, impairment losses can be reversed up to the acquisition value. In the year under review, impairment losses on financial assets amounting to CHF 23.9 million were reversed.

2.6 Other operating expenses

in CHF m	2023	2022
Advertising costs	(0.9)	(0.4)
Administration costs	(21.6)	(20.9)
Management fees (top management costs)	(4.8)	(4.8)
Total other operating expenses	(27.3)	(26.1)

2.7 Impairment losses on investments
If events or circumstances indicate that the carrying amount may no longer be recoverable, investments are reviewed on an annual basis with regard to their value. As part of the carve-out of RUAG Aerostructures Switzerland Ltd, the investment in Beyond Gravity Switzerland Ltd was written down in the amount of the dividend in kind paid in accordance with the accounting principles (CHF 11.3 million).

3 Further information

3.1 Full-time positions
As in the previous year, the annual average number of full-time positions did not exceed 10 in the year under review.

3.2 Collateral provided for third-party liabilities

in CHF m	2023	2022
Group guarantees	96.7	83.8
Total contingent liabilities	96.7	83.8

Guarantee liabilities are primarily performance and advance payment guarantees issued as part of operational business, as well as guarantees to secure bank credit limits vis-à-vis the subsidiaries.

3.3 Events after the reporting period
There were no significant events after the balance sheet date that have an impact on the book values of the reported assets or liabilities or that would have to be disclosed here.

Proposal by the Board of Directors for the appropriation of available earnings

in CHF m	2023
Retained earnings at the beginning of the financial year	18.7
Net loss for the year	(0.3)
Balance sheet profit at the disposal of the Annual General Meeting	18.5

The Board of Directors proposes the following appropriation of earnings at the Annual General Meeting:

Dividend	—
Allocation to general legal retained earnings	—
Balance to be brought forward	18.5

Furthermore, the Board of Directors proposes to distribute a dividend of CHF 150 million from the statutory capital reserves.

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To the General Meeting of
RUAG International Holding Ltd, Berne

Berne, 1 March 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of RUAG International Holding Ltd (the Company), which comprise the balance sheet as at 31 December 2023 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (page 76 to 80) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Building a better working world

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Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and the proposed repayment of legal capital reserve comply with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

In addition, we draw your attention to the fact that consolidated financial statements have not been prepared, which is in breach of article 963 CO.

Ernst & Young Ltd

Martin Mattes
(Qualified Signature)

Licensed audit expert
(Auditor in charge)

Cristina Zimmermann
(Qualified Signature)

Licensed audit expert

Enclosures
- Financial statements (balance sheet, income statement, notes)
- Proposed appropriation of available earnings

Corporate Governance

RUAG International follows clear rules

Management and control are based on the corporate governance guidelines of SIX Swiss Exchange.

Board of Directors

The duties of the Board of Directors of RUAG International Holding Ltd are governed by the Swiss Code of Obligations, the owner's strategy of the Swiss Federal Council, the Articles of Association and the Regulations Governing Organisation and Operations. The Board of Directors of RUAG International Holding Ltd currently consists of five members (20% women), none of whom exercises an executive function within the company or has done so in the three financial years preceding the reporting period. In addition, the members of the Board of Directors have no material business relationship with the Group. There were no changes in the composition of the Board of Directors in the reporting year. The position of Vice Chairman changed within the Board of Directors from Jürg Oleas to Rainer G. Schulz.

Election and term of office

The Board of Directors of RUAG International Holding Ltd and its Chairman are elected by the Annual General Meeting (AGM). In accordance with the Articles of Association, the Board of Directors consists of a maximum of seven individuals. The majority of the Board's members must be Swiss nationals who are resident in Switzerland. They are elected annually and individually, and may be re-elected. RUAG International does not specify an age limit for members of the Board of Directors, nor does it limit their term of office. The members of the Board of Directors are proposed by the Swiss Confederation (sole shareholder) and elected unanimously.

The following section provides information on the composition of the Board of Directors as at 31 December 2023, the individual members' functions within RUAG International, their nationality and the year in which they were first elected to the Board. Information is also provided on their year of birth, other activities and interests, on significant mandates at major companies, organisations and foundations, on permanent functions in major interest groups, and on public offices and political mandates held as at 31 December 2023.

Vested interests

In accordance with the Nomination & Compensation Committee (NCC) Charter of 2023, the NCC is responsible for approving external ancillary activities of the members of the Board of Directors and the CEO. Twice a year, the NCC submits an updated list of all ancillary activities of all members of the Board of Directors and the Executive Board to the Board of Directors for information. Corresponding mandates are included on the agenda of both the NCC and the Board of Directors and discussed individually.

The Board of Directors' vested interests are regularly disclosed. The Board of Directors is sensitised to ensuring that such vested interests are compatible with the mandate for RUAG International, both in terms of time and content. This is already taken into account when filling positions. Should a conflict of interest nevertheless arise unexpectedly, the member concerned would step aside. New mandates or commitments are also discussed in advance with the Chairman of the Board of Directors. At its meeting on 1 March 2023, the Board of Directors was made aware of how to deal with vested interests during an internal training session.

(From left to right)

Jürg Oleas Member
Dr. Remo Lütolf Chairman
Déborah Carlson-Burkart Member
Rainer G. Schulz Vice Chairman
Kaspar W. Kelterborn Member

Dr. Remo Lütolf (b. 1956, Swiss), Chairman of the Board of Directors since 26 April 2018, Member since 2014, elected until the 2024 Annual General Meeting.
Education: Dipl. El. Ing. ETH, Dr. sc. techn. ETH Zurich; Executive MBA IMD Lausanne.
Professional background: Chairman of the Executive Board of ABB Switzerland (2013–2018); Head of the global business unit for power electronics and medium-voltage drives, ABB Group (2003–2012); Head of the regional division for automation products, ABB North Asia/China (2005–2008); Head of the local business unit for power electronics, ABB Switzerland (1999–2002); Various management positions in the Building Control and Energy Management divisions, Landis & Gyr Zug (1987–1998).
Committees: Member of the Audit Committee and the Nomination & Compensation Committee.
Significant mandates: Chairman of the Board of Directors of ewl Energie Wasser Luzern Holding AG, Chairman of the Board of Directors of Erdgas Zentralschweiz AG, Member of the Board of Directors of MTE Meter Test Equipment AG, Member of the University Council, University of Applied Sciences and Arts Northwestern Switzerland.

Rainer G. Schulz (b. 1965, Swiss), Vice Chairman since 1 October 2023, Member since 2020, elected until the 2024 Annual General Meeting.
Education: Engineering studies with specialisation in production technology.
Professional background: Interim Chairman of the Board Röchling SE (2021/22), CEO REHAU Group (until 2018); Head of Production/Purchasing, BMW Rolls Royce AeroEngines (until 2001). Head of Production Logistics, Scheidt & Bachmann GmbH (until 1994).
Committees: Member of the Nomination & Compensation Committee.
Significant mandates: Member of the Board of Directors and Chairman of the Audit Committee of Bühler Holding AG, Member of the Board of Directors of Hoerbiger Holding AG, Member of the Advisory Board of Röchling SE & Co KG.

Déborah Carlson-Burkart (b. 1969, Swiss), Member since 2021, elected until the 2024 Annual General Meeting.
Education: Certified Board Member, INSEAD (FR); LL.M., Duke University (USA); Admitted to the bar, Zurich (CH); Lic. iur./ Master of Law, Faculty of Law, University of Zurich (CH).
Professional background: Self-employed lawyer and Board member since 2015, Head Legal Rothschild Trust Group and Member of the Executive Board of Rothschild Trust (Switzerland) AG and Managing Director of Rothschild Trust Italy srl. in Milan (IT) until 2015; Head Legal and Secretary of the Board of Directors of Alstom (Switzerland) AG, Member of the Executive Board, until 2011; Head International Legal, MicroStrategy Inc. Washington, DC (USA), until 2005.
Committees: Chair of the Nomination & Compensation Committee.
Significant mandates: Visiting lecturer University of St. Gallen HSG. Of-Counsel Wernli lawyers; Member of the Board of Directors of Visana Group; Member of the Board of Directors of Alstom Network Switzerland AG; Member of the Board of Directors of PVS Pension fund; Member of the Board of Directors of Berner Reha Zentrum; Member of the Board of Directors N26 Bank.

Kaspar W. Kelterborn (b. 1964, Swiss), Member since 2021, elected until the 2024 Annual General Meeting.
Education: Lic. Oec. HSG, University of St. Gallen, Switzerland.
Professional background: Chief Financial Officer ad interim of dormakaba Holding AG (2022); Chief Financial Officer and member of the Executive Board of Conzzeta AG, Switzerland (2006–2021); Chief Financial Officer (CFO) and member of the Executive Board of Unaxis Holding AG, Switzerland (2002–2005); various leading management positions and international assignments in the area of finance and controlling in Switzerland and abroad within the Clariant Group (until 2002).
Committees: Chairman of the Audit Committee.
Significant mandates: Member of the Board of Directors and Head of the Audit Committee of CPH Chemie+Papier Holding AG; President of the Foundation Board of the Perlen Group relief fund; Member of the Board of Directors of Wipf Holding AG; Member of the Foundation Board of Conzzeta Pension Fund; Member of the Board of Directors of Burckhardt Compression Holding AG; Member of the Board of Directors of Karl Bubenhofer AG.

Jürg Oleas (b. 1957, Swiss), Member since 2011, elected until the 2024 Annual General Meeting.
Education: Master's in Mechanical Engineering from ETH Zurich.
Professional background: Until 2001 various professional positions at ABB and then briefly at Alstom, from 2001 management position at GEA Group AG and from 2004 to 2019 CEO of GEA Group AG.
Committees: Member Chairman of the Board of Directors HOCHDORF Holding AG, Member of the Board of Directors Holcim Ltd. (Member of Audit Committee and Nomination, Compensation and Governance Committee).

Internal organisation and tasks
The Board of Directors holds ultimate responsibility for the business strategy and overall management of the Group. Subject to the authority of the Annual General Meeting, it possesses supreme decision-making powers.

The main tasks of the Board of Directors under the terms of the Swiss Code of Obligations and Articles of Association of RUAG International Holding Ltd are:

- The strategic orientation and management of the Group in accordance with the owner's strategy of the Swiss Federal Council
- The structuring of the accounting system, financial controlling and financial planning
- The appointment and dismissal of the CEO, other members of the Group Executive Board and other senior executives
- Supreme oversight of business activities
- Production of the annual report, preparation of the AGM and implementation of resolutions passed by the latter.

Decisions are taken by the full Board of Directors. To assist it in the preparation and implementation of its resolutions, the Board is assisted by two committees: an Audit Committee and a Nomination & Compensation Committee.

In the year 2023, the Board of Directors held seven ordinary meetings, a one-day strategy meeting and two half-day Board of Directors workshops. One meeting took place online, six took place at RUAG International sites. In addition, there were six extraordinary online meetings and three circular resolutions. The members of the Board of Directors also discussed matters regularly by telephone. The agenda for meetings of the Board of Directors is set by the Chairman. Any member of the Board of Directors may request that an item be included on the agenda. The members are provided with documentation prior to each meeting to enable them to prepare for the items to be discussed.

The Board of Directors maintains an exchange of ideas with the company's operational managers. The CEO and CFO regularly attend the meetings as guests, other executives do so depending on the agenda.

In individual cases, members of the Board of Directors took part in meetings by telephone. Two excused absences were recorded at ordinary Board of Directors meetings and three excused absences at extraordinary Board of Directors meetings. There were two excused absences from the half-day Board of Directors workshops.

Committees

The Board of Directors has an Audit Committee and a Nomination & Compensation Committee, each of which has its own Chair. The committees meet regularly and prepare business for the full Board of Directors, draft related proposals and implement resolutions of the Board of Directors as required. The agenda of each committee's meetings is set by its Chair. The members of the committees are provided with documentation prior to the meetings to enable them to prepare for the items on the agenda. Individual charters have been defined for both the Audit Committee and the Nomination & Compensation Committee, which define the tasks within the two committees.

Audit Committee
The Audit Committee is composed of three members of the Board of Directors, none of whom exercises an executive function. The members are experienced in financial and accounting matters. The Audit Committee meets regularly and is convened by the Chair as often as business requires. Usually the meetings are attended by the CFO, Head of Internal Audit, General Counsel and representatives of the statutory auditor.

The main task of the Audit Committee is to ensure a comprehensive and efficient audit strategy for RUAG International Holding Ltd and the Group. The duties of the Audit Committee include:

- Assessing processes in the risk and control environment (internal control system)
- Monitoring financial reporting
- Assessing the internal and external auditors
- Defining and approving the focal points of the audits
- Accepting the audit report and any recommendations of the statutory auditor prior to submission of the annual financial statements (individual and consolidated) to the full Board of Directors for approval
- Submitting a proposal to the full Board of Directors as to which external auditor should be recommended to the AGM for appointment; assessing the performance, fees and independence of the external auditor and examining the compatibility of audit activities with any consultancy mandates
- Regularly examining the Compliance Management System

The Audit Committee regulates, supervises and commissions Internal Audit. It provides the full Board of Directors with a regular report on its activities and immediately informs the Board of any important matters.

Nomination & Compensation Committee
The Nomination & Compensation Committee (NCC) is composed of three members of the Board of Directors, none of whom exercises an executive function. The NCC meets regularly and is convened by the Chair as often as business requires. The meetings are usually also attended by the CEO, CPO and General Counsel.

The main task of the NCC is to propose the outlines of human resource policies and planning to the full Board of Directors and to present proposals on the selection and compensation of Group Executive Board members. This also includes preparing necessary decisions for the full Board of Directors in the areas of management development, compensation system and policies, target setting, pension fund matters and social partnership.

Finally, the NCC is tasked with proposing the compensation of members of the Board of Directors in conformity with the guidelines set forth by the Swiss Confederation.

Information and control instruments
The RUAG International Management Information System (MIS) is structured as follows: the separate financial statements (balance sheet, income statement and statement of cash flows) of the individual subsidiaries and business segments are compiled on a monthly, quarterly, semi-annual and annual basis. These figures are consolidated for each business segment and for the Group as a whole and presented in comparison with the budget. The budget, which represents the first year of a rolling three-year plan, is examined in the form of a feasibility forecast based on monthly results. The CEO submits a monthly written report on budget compliance to the Board of Directors.

Compliance & Governance Organisation
At Group level, the Compliance & Governance function is responsible, among other things, for ensuring that RUAG International's internal rules are anchored by a comprehensive compliance management system. The business segments are fully involved in data protection, trade compliance, risk management and commercial compliance.

The Vice President Compliance reports only on a disciplinary basis (solid-line) to the General Counsel. He regularly reports technically (dotted-line) to the Board of Directors, either during Board meetings or through the Audit Committee. The shareholder is regularly informed in summary form about compliance issues, in particular during quarterly reports and discussions.

Whistle-blower system
RUAG International strives for an open corporate culture in which employees feel comfortable sharing the company's values and expressing their own opinions. However, the company also has an independent reporting office, which offers employees and third parties a way to report any abuses – anonymously if desired, by e-mail or telephone. The tool, operated by an external company, is used to help prevent, detect and remedy any irregularities. Incoming reports are seen and processed only by designated Compliance specialists.

Code of Conduct for Business Partners
The Code of Conduct for Business Partners has been integrated into RUAG International's contracts. It was updated in the reporting year together with the applicable directives and regulations in the area of compliance and adapted to developments in non-financial reporting in particular. Just as RUAG International is committed to conducting its business in accordance with ethical principles, applicable law and in a socially responsible and sustainable manner, it expects the same of its customers, suppliers, service providers and their supply chains. The Code of Conduct must be signed by business partners unless they have their own equivalent compliance programmes.

Rejecting corruption
By systematically implementing the "Anti Corruption" directive, which forms part of every RUAG International employment contract, the company is affirming its commitment to being a fair competitor and refraining from seeking unfair advantage by providing financial or other incentives to third parties. RUAG International likewise does not accept financial or other incentives in expectation of or as a reward for granting an unfair advantage.

Behaviour that violates the "Anti-Corruption" directive or other internal rules is consistently sanctioned and corrective measures are implemented.

Group Executive Board
The following section provides information on the names, year of birth, function and date of joining, as well as the external mandates of each member of the Executive Board.

André Wall (b.1964, German), Chairman of the Executive Board, CEO of RUAG International, joined 2020; CEO Beyond Gravity, joined 2022.
External mandates: Advisory Board, Qatar Airways Group, Owner AW Aviation GmbH & Co. KG, Founder Social Return GmbH.

Oliver Grassmann (b. 1974, German), Member of the Executive Board, Executive Vice President Division Satellites since October 2023, joined 2022.

Paul Horstink (b. 1970, Dutch), Member of the Executive Board, Executive Vice President Satellites Division Beyond Gravity, joined 2022.

Dr. Oliver Kunz (b. 1970, German), Member of the Executive Board, Executive Vice President Lithography Division Beyond Gravity, joined 2022.

Angelo Quabba (b. 1965, Swiss/Italian), member of the Executive Board, CFO RUAG International, joined 2020. External mandates: Chairman of the Board of Directors of Gubemo AG, Chairman of the Board of Directors of Tresio AG.

Caroline Schmitt (b. 1977, Swedish), Member of the Executive Board, Chief Transformation & Strategy Officer Beyond Gravity, joined 2023.

Laura-Kathrin Seitz (b. 1967, Swiss/German), Member of the Executive Board, Chief People Officer Beyond Gravity, joined 2023.

Departures:
Anders Linder (b. 1972, Swedish), Member of the Executive Board, Executive Vice President Satellites Division Beyond Gravity, departed October 2023.

Management organisation
The Board of Directors has appointed an Executive Board under the chairmanship of the CEO. The CEO and the Executive Board are responsible for the overall management of RUAG International and for all matters not delegated to another governing body of the company by law, the Articles of Association or the Regulations Governing Organisation and Operations. The powers and duties of the Group Executive Board and CEO are set out in detail in the Organisational Regulations and in the job description of the CEO.

The members of the Executive Board report to the CEO.

CEO
The CEO manages RUAG International. He submits the RUAG International strategy, long- and medium-term objectives, and management guidelines to the full Board of Directors for their approval.

At the proposal of the CEO, the Board of Directors decides on the three-year corporate plan, annual budget, individual projects, business segment and consolidated financial statements and Executive Board-level human resource issues.

The CEO regularly submits reports to the Board of Directors on business performance, anticipated business matters and risks, as well as changes at the next management level.

The members of the Board of Directors may request and review further information on operations as provided by the law, the Articles of Association and the Regulations Governing Organisation and Operations.

The CEO regularly assesses whether the Articles of Association and the regulations and other guidelines issued by the Board of Directors require amendment, and applies for such amendments to be made.

Management contracts
No management contracts have been concluded by RUAG International Holding Ltd and its subsidiaries with any third parties on Executive Board level.

RUAG International management structure as at 31 December 2023

Board of Directors
Dr. Remo Lütolf (Chairman), Rainer G. Schulz (Vice-Chairman), Déborah Carlson-Burkart, Kaspar W. Kelterborn, Jürg Oleas

Audit Committee
Kaspar W. Kelterborn (Chairman)
Dr. Remo Lütolf
Jürg Oleas

Nomination & Compensation Committee
Déborah Carlson-Burkart (Chairwoman)
Dr. Remo Lütolf
Rainer C. Schulz

Internal Audit

CEO RUAG International
André Wall

CFO RUAG International
Angelo Quabba

CEO Beyond Gravity
André Wall

Launchers
Paul Horstink

Satellites
Oliver Grassmann

Lithography
Dr. Oliver Kunz

Digital Transformation & Strategy
Caroline Schmitt

Finance, Legal & Compliance
Angelo Quabba

People & Culture
Laura-Katrin Seitz

RUAG Aerostructures

Germany
Clemens Friedl

Switzerland
Simon Hächler

Hungary
Clemens Friedl

— Executive Board RUAG International Holding AG
— Beyond Gravity Executive Board

Compensation, profit-sharing and loans

Compensation report
The following details correspond to the guidelines of SIX Swiss Exchange concerning the compensation policy and compensation paid to members of the Board of Directors and Group Executive Board, taking the transparency provisions of the Swiss Code of Obligations (Art. 663b and Art. 663c) into account. Compensation paid in accordance with these provisions of the Swiss Code of Obligations is listed in the financial statements of RUAG International in Note 32 “Compensation of key management personnel”, with further details provided.

Compensation policy
RUAG International’s HR policy includes the principle that employee performance and company success are the main factors that determine compensation. The policy is aimed at implementing simple, clearly structured compensation systems that ensure fair pay and are transparent for employees. RUAG International bases its compensation level on the market compensation in the relevant market environment and reviews it regularly. Individual compensation is based on job requirements, employees’ competences and performance, and the company’s economic success. Where possible, RUAG International makes use of success and performance-based compensation systems. These principles also apply in setting the compensation policy for the Group Executive Board, which is determined by the Board of Directors at the request of the NCC. RUAG International also prepares an annual report for submission to the Swiss Federal Department of Finance (EFD), the Swiss Federal Council and the Finance Delegation of the Federal Assembly.

Board of Directors
The members of the Board of Directors receive compensation for their work that is determined annually by the AGM in accordance with the guidelines set forth by the Swiss Confederation (including upper limits for compensation). The criteria for determining compensation paid to the Board of Directors is based on the responsibility accorded to its members, the complexity of the task, the specialist and personal demands placed on the individual and the expected average time required to fulfil the task.

Compensation consists of the following:

- Fixed fee
- Other benefits

Each member of the Board of Directors receives a fixed fee as part of his or her basic compensation. Other benefits comprise lump-sum allowances for expenses.

No compensation was paid to former Board members.

Further details of compensation paid in the reporting year can be found in the financial statements in Note 32 “Compensation of key management personnel”.

Group Executive Board
The composition and amount of compensation are based on the industry and labour market environment and are regularly reviewed. To this end, publicly available information on companies of a similar size from Swiss industry and, where applicable, the results of surveys and external studies are taken into account. Overall compensation for the CEO and for members of the Group Executive Board is subject to an upper limit approved by the Annual General Meeting.

Compensation consists of the following:

- Fixed basic salary
- Performance based component
- Employer contributions to pension funds
- Fringe benefits

The fixed basic salary is determined primarily by the task, responsibility, qualifications and experience of the Board members, as well as the market environment. The performance-based component depends on the extent to which individual performance objectives are reached and on the company's financial success. It consists of a one-year Short Term Incentive Plan (STI). Targets are determined with reference to the extent to which personal performance objectives are reached, and to the company's financial success. As part of the objective-setting process, measurable goals are set at the beginning of each year by the Board of Directors and the CEO for the members of the Group Executive Board. At the end of the financial year, the extent to which these objectives have been met is assessed.

Short Term Incentive Plan (STI)
The financial success of RUAG International overall and of the individual business segments is measured based on four financial value drivers:

- Net sales
- Operating result (EBIT)
- Order intake
- Free Cash Flow

The target figures are set for one year. The targets are weighted according to strategic priorities. A lower and an upper threshold are defined for each of the four value drivers. If the lower threshold is not reached for the criterion concerned, the related portion of the performance-based component is omitted. However, exceeding the upper threshold does not lead to a further increase in the amount of the performance based component. Target achievement is weighted for the members of the Group Executive Board as follows: 20% for personal targets and 80% for financial targets. In the case of the heads of the three divisions, the financial targets are based half on the results of their division and half on the results of Beyond Gravity. Target achievement of the Chief People Officer (CPO) and the Chief Transformation & Strategy Officer (CTO) is based entirely on the results of Beyond Gravity. In the case of the CEO and CFO, the financial targets of RUAG International apply.

For the members of the Group Executive Board, the performance-based component in 2023 ranged from 33% (previous year: 22%) to a maximum of 39% (previous year: 42%) of the annual cash compensation.

With regard to a successful sale or privatisation of the Beyond Gravity business segment in accordance with the owner's strategy, a long-term incentive plan with retention characteristics was also created for all permanent employees and managers, including the Executive Board. The amount of any payments depends on a successful sale and the increase in value of the business segment until the sale.

Other benefits
Other benefits comprise employers' contributions paid to social security funds and for mandatory and extra-mandatory employee benefits. Members of the Executive Board are subject to the same expense regulations as all other RUAG International employees. The flat-rate expense allowance for members of the Executive Board and all management staff in Switzerland was abolished in 2022 – except for the CEO and CFO. An additional regulation applies governing flat-rate compensation for entertainment and minor expenses. Both regulations have been approved by the responsible cantonal tax office. A company car or a mobility allowance is provided to each member of the Group Executive Board. No compensation was paid to former Group Executive Board members. Further details of compensation paid in the reporting year can be found in the financial statements in Note 32 "Compensation of key management personnel".

In the 2023 reporting year, one member of the Executive Board left the company. Further information can be found in the financial statements, Note 32, "Compensation of key management personnel".

Shares and options: No shares and/or options are allocated to members of the Group Executive Board or Board of Directors.

Additional fees: During the 2023 financial year, the members of the Board of Directors received no appreciable fees or other compensation of additional services rendered to RUAG International Holding Ltd or any of its subsidiaries.

RUAG International and its subsidiaries have not provided any securities, loans, advances or credits to the members of the Group Executive Board or Board of Directors and related parties, nor waived any amounts receivable from them.

Capital structure
The share capital of RUAG International Holding Ltd amounts to CHF 217.9 million, comprising 2,179,000 fully paid-up registered shares, each with a par value of CHF 100. As at 31 December 2023, RUAG International Holding Ltd did not have any conditional or authorised capital, nor had it issued participation or dividend right certificates. The registered shares of RUAG International Holding Ltd are not listed.

Changes in capital
Due to the merger of BGRB Holding Ltd with RUAG International Holding Ltd, the share capital changed from CHF 340 million to CHF 217.9 million. This corresponds to the share capital of the former BGRB Holding Ltd, which was renamed RUAG International Holding Ltd during the reporting period. No other changes in capital were resolved.

Shares, share register
At the AGM of RUAG International Holding Ltd, each registered share carries one vote. The voting right may only be exercised provided that the shareholder is recorded in the RUAG International Holding Ltd share register as a shareholder with voting rights. The registered shares carry full entitlement to dividends.

In place of shares, the company may issue certificates. It may also elect to issue neither shares nor certificates. In this case, the shareholder is entitled at any time to demand issuance of a statement of shares held.

The Board of Directors keeps a register of shareholders.

Shareholder structure

Shareholder
The Swiss Confederation holds 100% of the shares and thus all the voting rights in RUAG International Holding Ltd. The Federal Finance Administration attends to the Confederation's shareholder interests.

Owner's strategy of the Swiss Federal Council
In its owner's strategy, the Swiss Federal Council lays down strategic objectives for its shareholding, specifically strategic focal points, human resource policy and financial objectives, cooperation and investments and reporting to the Swiss Federal Council.

The new owner's strategy of the Swiss Federal Council entered into force on 29 November 2023 and establishes the transparent, binding framework which enables RUAG International Holding Ltd and its subsidiaries to fulfil their duties on a commercial basis while taking account of broader interests. The owner's strategy is enshrined in the Articles of Association of RUAG International Holding Ltd.

Cross-shareholdings
RUAG International has not entered into any cross-shareholdings with other companies, either in terms of capital or votes.

Participation rights of shareholders

Voting right

At the AGM of RUAG International Holding Ltd, each registered share carries one vote. A shareholder may be represented by another shareholder only by written proxy.

Statutory quorums

The following resolutions are subject to decision by qualified majority in accordance with the Swiss Code of Obligations (Art. 704):

- Amendment of the company's objects
- Introduction of shares with preferential voting rights
- Restriction on the transferability of registered shares
- Authorised or contingent capital increase
- Capital increase funded by equity capital, against contributions in kind or to fund acquisitions in kind and the granting of special privileges
- Restriction or cancellation of subscription rights
- Relocation of the company's registered office
- Dissolution of the company or liquidation

Convening the AGM

The AGM is convened and its agenda set as governed by law and by the Articles of Association.

Change in control and defensive measures

Obligatory offer for sale

The Articles of Association contain no provisions concerning opting-out (Art. 125 paras. 3–4 of the Financial Market Infrastructure Act – FinMIA) or opting-up (Art. 135 para. 1 FinMIA).

Change of control clauses

Any disposal of the capital or voting majority of the Swiss Confederation in RUAG International Holding Ltd to third parties requires the approval of the Federal Assembly (by simple federal decree, not subject to referendum, Art. 3 para. 3 of the Federal Act on Federal Armaments Companies).

With regard to a change of control or the privatisation of the Space segment (Beyond Gravity) by 2025 at the latest, a long-term incentive plan was created for all permanent employees, including the Executive Board (see chapter Compensation, profit-sharing and loans). There is no corresponding plan for the Board of Directors.

Pension fund

The pension fund of RUAG International with the Livica collective foundation had a cover ratio of over 100% as at 31 December 2023, as in the previous year.

Statutory auditor

Duration of mandate of lead auditor

At the Annual General Meeting of 24 May 2023, Ernst & Young AG Bern was elected as RUAG International's statutory auditor for one year. Martin Mattes acts as lead auditor and is responsible for the audit mandate.

Audit fees and additional expenses

Ernst & Young provided RUAG International with services in the amount of CHF 0.7 million (previous year: CHF 0.6 million) during the 2023 financial year related to the audit of the financial statements of RUAG International Holding Ltd and its subsidiaries and of RUAG International's consolidated financial statements.

In addition, Ernst & Young AG provided RUAG International with audit-related services, tax advice and due diligence services in 2023 in the amount of CHF 0.0 million (previous year: CHF 0.0 million).

Supervisory and control instruments

The Audit Committee of the Board of Directors assesses the performance, fees and independence of the statutory auditor each year and submits a proposal to the Board of Directors as to which external auditor should be recommended to the AGM for appointment. On 24 May 2023, the AGM appointed Ernst&Young AG as the statutory auditor. The Audit Committee annually reviews the scope of external auditing, the auditing plans and the relevant processes, and discusses the audit results with the external auditor in each case.

Information policy

RUAG International pursues an open information policy in relation to the public and to the financial markets. The published figures extend beyond the statutory requirements in terms of transparency. Quarterly discussions are held between the shareholder and the Board of Directors.

Fees paid to the auditors

in CHF thousands	2023	2022
Audit fees	650	637
Tax advice	—	—
Due diligence services	—	—
All other services	—	—
Total fees	650	637

Agenda

End of financial year	31.12.2023
AGM	22.05.2024

The Annual Report containing the financial statements for the year ended 31 December 2023 is sent to the shareholder together with an invitation to the AGM.

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