Annual report 2023

RUAG

The fiscal year 2023 in brief

For sovereign security.

Contents

ANNUAL REPORT

FINANCIAL REPORT

This annual report of the RUAG MRO Holding Group, including the financial report audited by Ernst & Young, has been translated from German into other languages. These translations contain the same information and convey the same meaning as the German annual and financial report. In case of any inconsistency between the German version of the annual and financial report and that in another language, the German version shall prevail. The unrestricted auditors' reports of Ernst & Young on the financial statements of the RUAG MRO Holding Group and the individual financial statements are attached to the German version only.

Dear ladies and gentlemen,

Old and new events with which RUAG MRO Holding Ltd was confronted in the year under review prompted us to initiate an independent and rigorous investigation with external support. Despite many challenges, we are doing everything we can to fulfill our mission: being a reliable partner to the Swiss Armed Forces in ensuring their operational readiness. Our dedicated employees are the key to achieving this goal.

Governance put to the test

The departure of our CEO, Brigitte Beck, was compensated for by the appointment of our CFO, Christian Priller, and the Head of Business Area Air, Thomas Kipfer, as co-CEOs ad interim. The Board of Directors thanks them for their willingness to co-manage the company during this very challenging year. In addition to this change in leadership, the decision of the Federal Council not to approve the sale of 96 non-operational Leopard 1 main battle tanks owned by RUAG had a significant impact on the public and within the company. As a result, the deal was not concluded. Since not all the facts in the relevant contracts were fully transparent for us either, both the Swiss Federal Audit Office (SFAO) and RUAG itself initiated investigations. The SFAO took the lead in order to ensure independence. At the end of the year under review, these investigations were still ongoing. Moreover, the SFAO will examine the interaction and flow of information between RUAG and the owner. These further investigations will be carried out in 2024.

This issue may be a legacy from 2016 – the tanks were purchased by the former RUAG Defence, a division of the old RUAG – but it is absolutely crucial for us that all business activities for which we assume responsibility are carried out transparently and consistently compliant with the law as well as the owner's requirements.

Over the course of 2023, RUAG further refined the overall cooperation with its owner. Furthermore, an external auditor confirmed that the company's risk management system has reached a good level. Despite the difficult challenges that placed a heavy burden on key individuals at RUAG, the company proved itself to be resilient and able to persevere.

Financially sufficient for 2023 annual budget but insufficient in the long term

In the year under review, the company was confronted with business challenges which weighed on the EBIT. On the one hand, the Business Area Air was not able to achieve the budgeted results because the Armed Forces placed less orders and RUAG was unable to deliver the desired capacities in full for certain service elements. The Business Area Ground improved its operational results significantly compared to the previous year, but had to make provisions of CHF 12 million due to possible additional charges from old contracts. The result of RUAG Real Estate, on the other hand, was higher than planned and had a compensating effect. This was both due to the sale of part of the Stans site to Pilatus Aircraft Ltd and to lower operational expenses.

Overall, the achieved EBIT margin of 3% is not yet satisfactory and does not provide the company with a long-term, sustainable financial basis. With regard to liquidity, it is evident three years after the unbundling that the scarce capital resources at that time are not sufficient to overcome the numerous inherited issues and at the same time pre-finance both the investments necessary for securing RUAG's future and replacing the systems of the Swiss Armed Forces.

In spite of these developments, RUAG was able to achieve numerous business-relevant successes which helped to keep the company on track and to consolidate its position as a comprehensive and innovative security company.

Strategically on course

RUAG has worked intensively on shaping and implementing its company strategy. In this regard, the company was able to make progress in a few areas of activity.

In close coordination with armasuisse S+T and the Swiss Innovation Forces, the RUAG Innovation Organization (RIO) has established itself in the Swiss security innovation ecosystem.

In the cyber security business, RUAG was able to conclude the acquisition of CyOne Security Ltd in close coordination with the owner and the Armed Forces. CyOne Security Ltd is a core element of the Confederation's secure communication, also outside the Armed Forces, and is one of the leading companies in cryptography in Switzerland. It therefore stands for "sovereign security", one of RUAG's brand promises.

RUAG's ability to successfully bid in the economically competitive international third-party business was demonstrated by the Artemis project. The contract to recondition and modernize F-5 jets for the United States Navy is a clear sign that RUAG's expertise and capabilities are competitive and highly valued internationally. Moreover, this contract is also strategically important for maintaining the capabilities for the Swiss Armed Forces.

The extensive preparations and ultimately the conclusion of the multi-year service level agreement for the period 2024–2027 with the Armed Forces Logistics Organisation marked a successful milestone for the future. This contract demonstrates trust and transparent cooperation and guarantees the Armed Forces a high level of availability for 130 systems.

Operational excellence strengthened to increase efficiency of the Armed Forces

Another important milestone was the successful conclusion of the three-year Cervino program (e2e process redesign and SAP S/4HANA migration), which went live on 1 January 2024. With this program, RUAG is harmonizing its inherited disparate process landscape in a comprehensive system environment. This enables significantly better control of efficiency and availability and therefore contributes to the operational performance of the Armed Forces.

Especially in a fundamentally changing global political environment with the war in Ukraine and major upheavals in the Middle East, which led to delays in deliveries from foreign defense companies that also affected Switzerland, RUAG proved to be a stabilizing force and was able to compensate all delivery delays for the benefit of the Swiss Armed Forces.

To ensure a reliable and future-proof provision of services for the main customer, RUAG was able to implement important construction projects such as a state-of-the-art facility for electromagnetic compatibility (EMC) testing and an electrically powered and thus ESG-compliant universal transmission test bench.

Focus on sustainable expertise

With these positive developments, RUAG demonstrates its security policy relevance and makes a significant contribution to the sovereign security of Switzerland. Fulfilling this mission, which will remain a priority in the future, is only possible with a consistent focus on sustainable expertise and competent employees. This focus on the training of specialists is why RUAG is regularly ranked among the best training companies in the country. In 2023, a total of 60 apprentices in 13 different professions completed their training at RUAG. Four of these apprentices won medals at the national vocational championships, impressively proving that they are among the best in Switzerland.

2024 will be a year of focus. The aim is to stabilize leadership, embrace the new process and system landscapes and continue to consistently and reliably deliver the required performance and thus financial results. In 2024, the global political situation will remain a challenging environment for securing the supply chain and thus the availability of military systems. Our strategy leads the way and we will work consistently on its implementation. The legacy issues will continue to affect us in 2024. For this reason, we expect EBIT for 2024 as a whole to be roughly on par with 2023 due to the continuing high extraordinary charges.

Despite – or precisely because of – the unfortunate nuances of the past year, it is particularly important to us not to lose sight of the future and to demonstrate the rapid development of this company's future viability. We want to be a reliable partner and fulfill our main task of serving the security of this country with professional governance and an efficient and recognized management structure. This will be RUAG's highest priority.

Nicolas Perrin
Chairman of the Board of Directors
RUAG MRO Holding Ltd

Christian Priller
Co-CEO a.i.
RUAG MRO Holding Ltd

Thomas Kipfer
Co-CEO a.i.
RUAG MRO Holding Ltd

The changed security situation and its impact on RUAG

↗ In recent years, the global security situation has changed significantly. Security is a valuable asset and must be protected.

All armed forces, including the Swiss Armed Forces, have responded to the changes of the global security architecture and made adjustments to their strategies and defense programs, both in terms of timing and content. These changes also have an impact on RUAG. In the following, we would like to briefly discuss selected aspects that are important for RUAG:

Focus on availability

Switzerland's defense capability is closely linked with RUAG's performance. The core aspects of this performance are ensuring system availability as well as excellence and resilience in the provision of services.

Logistics as a key element

The war in Ukraine clearly shows how important high-performance, resilient logistics are. Over the past two years, the Swiss Armed Forces have prepared a logistics program that was definitively commissioned in 2023. RUAG has made and will continue to make an active contribution to achieving the program's objectives.

Strengthening of integrator role

Military systems are becoming significantly more complex and the networking of information flows is playing an increasingly important role. In its role as a link between the independent industry and the Swiss Armed Forces, RUAG positions itself as the main integrator in the completely digitalized sensor-intelligence-command-action network. RUAG is systematically expanding this pillar of its business. In the 2023 business year, the C5I program won important projects, such as providing highly secure IT system solutions for military intelligence.

Cyber security as a critical ability

Information security is getting more and more important. With the acquisition of CyOne Security Ltd, in close collaboration with the owner, RUAG increases its focus on the cyber security business. CyOne Security Ltd's expertise and capabilities in the field of encryption technology are a valuable tool in this regard.

Military systems are becoming increasingly complex. →

Highest priority for orders of the Swiss Armed Forces

THE RECENT CHANGES IN SECURITY POLICY ARE HAVING A MAJOR IMPACT ON THE CURRENT MARKET. THEY ALSO PROMPTED THE SWISS ARMED FORCES TO DRAW UP A STRATEGY PAPER ADAPTED TO THESE CHANGES.

The paper entitled "Die Verteidigungsfähigkeit stärken" ("Strengthening defense capabilities") outlines the three strategic directions in which the Armed Forces want to develop. Based on this, the Armed Forces launched a wide range of initiatives.

The Logistics 2030 program and the establishment of the new cyber command "Kommando Cyber" to better cover needs in the cyber, electromagnetic and information space are particularly noteworthy. In both areas, RUAG fully accomplished its main mission of supporting the Swiss Armed Forces and will continue to work in close cooperation with its main customer to achieve the objectives.

In addition to supporting these strategic areas, RUAG will continue to ensure the availability of the Armed Forces' various systems. In 2023, RUAG once again demonstrated its reliability as center of excellence, despite relevant challenges in the global supply chain in the wake of the Covid crisis.

Fulfilling its role as center of excellence will remain the central focus in the future. This is why the 2024–2027 service level agreement drawn up jointly by armasuisse, the Armed Forces Logistics Organisation and RUAG is of key importance. It defines the services to be provided to the Swiss Armed Forces in the context of the maintenance of around 130 systems.

KEY TOPICS IN RELATION TO OUR MAIN CUSTOMER

F/A-18 value preservation

The F/A-18 service life extension is key to the operational readiness of the Air Force. The different levels of ageing of the individual aircraft and the combination of service life extension work with standard maintenance – Switzerland is the only nation in the world that combines the two – has led to unplanned delays. With great effort and the support of the Air Force and other DDPS agencies, RUAG has found solutions to ensure that sufficient aircraft were operational at all times during the year under review.

ADS-15

As part of the launch of the new ADS-15 unmanned aircraft, RUAG developed the detect and avoid system – a milestone for the future of the company. Detecting obstacles in the air and then automatically avoiding them is a major innovation that can massively reduce the risk of collisions with other flying objects. In 2023, the development was driven forward and tested under realistic conditions.

Armored personnel carrier 2000 value preservation

The service life extension program for the CV90 armored personnel carrier was launched at RUAG in November 2022. By the end of the 2023 business year, the work was completed and 41 vehicles were handed over to the general contractor, BAE Hägglunds.

The services provided by RUAG included the implementation of measures to extend the service life of 186 CV9030 tracked vehicles in four different configurations. These measures comprised the installation of a new auxiliary power unit (APU), the SMW modification (shoulder-launched multipurpose weapon), scheduled work packages, planned or unplanned repairs (e.g. welding on the chassis) as well as other comprehensive services such as the establishment of a center of excellence.

Replacement of the Integrated Military Telecommunication System ("Ersa IMFS")
Ersa IMFS is the core network for secure data transmission used by the Swiss Armed Forces and thus the backbone of new communication and digitalization. The most important milestone in 2023 was the commissioning of the procurement preparations. RUAG plans to complete the procurement preparations in 2024 and to seamlessly transition to the series production.

COBRA mortar
In 2023, the contract for a second tranche of 16 COBRA mortars for the Swiss Armed Forces was concluded. Here too, RUAG is acting as a subcontractor to GDELS-Mowag.

THIRD MARKET

Once again, RUAG was able to build on a stable, loyal and long-standing customer base in the life cycle management business in the international market. Moreover, RUAG succeeded in holding its own against the global competition in various WTO tenders.

Selected highlights from the 2023 third-party business

- ↗ RUAG has maintained and upgraded the Super Pumas/Cougars of the Slovenian Air Force and the German Federal Police. The contract was won via the NATO Support and Procurement Agency (NSPA).
- ↗ RUAG significantly contributed to the successful general overhaul of the F/A-18 fighter aircraft of the Royal Malaysian Air Force. The F/A-18 fighter aircraft undergo a comprehensive general overhaul approximately every twelve years, a so-called "local planned maintenance program", or LPM12Y for short. RUAG initially supported the project mainly in the form of methodological know-how transfer. In a second phase, RUAG was responsible for providing highly specialized engineering services. This project allows RUAG to achieve direct synergies and added value for the Swiss Armed Forces.
- ↗ RUAG has won the first order for its detect & avoid system on the international market.

Outlook

For 2024, RUAG expects an accentuation of trends and developments that may have a direct or indirect impact on the international business:

- ↗ Original equipment manufacturers (OEMs) are increasingly interested in the aftersales market, but due to high demand they have limited resources for setting up and expanding their own services.
- ↗ In light of the current wars and conflicts in Eastern Europe and the Middle East, as well as the shift in geopolitical power relations, new budgeting priorities can be observed among customers.
- ↗ Demand generally remains stable at a high level, especially for well-positioned and tried-and-tested portfolios.
- ↗ RUAG continues to anticipate strong demand from civil security authorities. In this regard, the trend is increasingly moving towards digital products.
- ↗ The unclear development in connection with relevant export controls is causing uncertainties.
- ↗ The temporary liquidity bottleneck of the Swiss Armed Forces could potentially have a negative impact on RUAG's order situation.

Maintenance work on a Super Puma →
of the Slovenian Air Force

Putting employees first as an attractive employer

THE COMPANY VALUES “SWISS”, “TRANSPARENT”, “RESILIENT”, “AGILE” AND “AMBITIOUS” DESCRIBE RUAG’S IDENTITY. THE EMPLOYEES ARE COMMITTED TO EMBODYING AND DEVELOPING THESE VALUES TOGETHER AT ALL HIERARCHICAL LEVELS.

Overview of employees

The number of employees increased to 2,826 (excluding apprentices, 2,671 in full time equivalents / FTE) in comparison to the previous year. Full-time positions have increased by around 180. In the employee satisfaction survey, very high scores were achieved. Particular mention should be made of the fairness of managers and general satisfaction with the work situation.

RUAG was able to reduce net fluctuation in 2023 from 9.8% in the previous year to 8.3%. This is a positive trend, but the fluctuation still requires a high level of attention. On average, employees stay with RUAG for ten years, which helps to ensure that the company retains valuable knowledge and experience.

Various measures have been introduced to further improve employer attractiveness and employee retention. Among other things, RUAG is improving its fringe benefits, including the full financing of the pension fund risk contribution by the employer and the extension of voluntary supplementary accident insurance to all employees.

In the 2023 wage round, a salary increase of 2.5% was achieved.

Overview of vocational training

RUAG trains 223 apprentices in 13 different professions. 60 apprentices successfully completed their apprenticeship in the summer of 2023. The retention rate of apprentices was increased by 20%. This ensures that young talents can be seamlessly integrated into the company. At the national vocational championships in September, the apprentices won two gold and two bronze medals. This encouraging development is helping to counteract the shortage of skilled workers with internal resources.

Developing employees

Line managers are important cultural ambassadors. In 2023, the human resources roadmap was revised. A key element of this roadmap is the training of line managers, who are all provided with a tailored offering based on their individual development goals in the form of a toolkit. The focus is on the continuous development of the feedback and learning culture and the resulting increase in team performance. Employee development, promotion and appreciation are at the heart of management work and can be learned through the internal offering.

← Increasing team performance through feedback culture

Innovation as the basis for a successful future

AS A TECHNOLOGY PARTNER OF THE SWISS ARMED FORCES, RUAG IS FACING A PERIOD OF TRANSITION DUE TO THE REPLACEMENT OF MANY MILITARY SYSTEMS. THE CHALLENGE IS TO FURTHER DEVELOP THE EXISTING AND REPLACEMENT BUSINESS WHILE ALSO EXPANDING INTO NEW BUSINESS AREAS. THIS REQUIRES FURTHER DEVELOPMENT OF THE COMPANY CULTURE AND THE TARGETED ESTABLISHMENT OF NEW COMPETENCIES AND BUSINESS MODELS.

In order to position itself as a technology partner of the Swiss Armed Forces and Swiss security organizations, RUAG must build strong networks with academic institutions, the security-relevant industry base and the start-up and DDPS innovation community.

RUAG Innovation Organization (RIO)

In 2023, the RUAG Innovation Organization intensified its efforts to identify, validate and prepare new business areas as well as to position RUAG as an innovative company for Swiss security. The innovation projects were specifically aimed at the operational spheres of the Swiss Armed Forces and the communicated capability gaps by 2035: The focus is on the sensor-intelligence-command-action network, the needs in the cyber and electromagnetic space as well as on the ground and in the air and, last but not least, the topics of energy and logistics. For the future of mobile secure communication (MSC), RUAG has pushed ahead with projects such as the secure smartphone GUARDIAN and the development of the RUAG high security private cloud infrastructure.

The presentation of the RUAG Innovation Award at nine universities, the RUAG Innovation Forum and numerous other events have significantly strengthened the networking of the Swiss innovation community. Moreover, RUAG's image and visibility in the start-up community and at universities were promoted.

Swiss Innovation Forces Ltd

As part of the strategic initiative "Innovation of the Swiss Armed Forces", Swiss Innovation Forces Ltd commenced operations in March 2023 as a subsidiary of RUAG MRO Holding Ltd. Its aim is to increase the power and speed of innovation of the Swiss Armed Forces and the administration as well as to contribute to cultural change. The company acts as an interface between the DDPS and providers of innovative solutions from the private sector.

Use of AR/VR in mechanics →

RUAG Real Estate positions itself as a provider of security-relevant infrastructures

AS THE COMPETENCE CENTER FOR SECURITY-RELEVANT REAL ESTATE, RUAG REAL ESTATE LTD DEVELOPS AND MANAGES RUAG'S REAL ESTATE PORTFOLIO IN LINE WITH RUAG'S STRATEGY AND PROVIDES FACILITY SERVICES FOR SECURE OPERATIONS.

RUAG Real Estate impressively demonstrated its capabilities in the field of security engineering with the C2I-Campus reference project on the "tryber" site in Thun. The C2I-Campus meets the highest requirements for physical security while allowing collaboration with external partners.

Company properties are at the center of the real estate strategy

RUAG's real estate strategy focuses on the real estate required for operations. Their modernization is of the highest priority due to technological change, sustainability goals and the high need for maintenance. In the first construction phase of the new test center in Thun, a universal gear unit test bench (UGPS) that meets the latest requirements in terms of testing technology and sustainability was built. To ensure a reliable and future-proof provision of services for the main customer, RUAG was able to commission a state-of-the-art facility for electromagnetic compatibility (EMC) testing at the industrial park in Thun in 2023. The new infrastructure will ensure RUAG's core competence in EMC, with a focus on military projects, in the long term.

Investment properties ensure availability and value creation

The investment properties ensure the future availability of the infrastructure of RUAG and its partners in the Swiss Security Network. As large, contiguous sites with special defense-related uses (explosives, aviation), they remain essential for RUAG's further development in line with the Swiss Armed Forces' strategic space requirements. The investment properties are positioned according to use-specific clusters. In the interests of the Swiss industry and of a strategic cooperation, RUAG Real Estate sold a part of the Stans site that is not required for operations to Pilatus Aircraft Ltd.

RUAG's stationing remains dynamic

RUAG is present at 30 locations in Switzerland and at two locations abroad (Germany and United States). The largely location-based stationing, that developed in the past, is decentralized and closely aligned with the needs of the Swiss Armed Forces. As part of the strategy process, the stationing is regularly reviewed and dynamically adapted to the changing operational requirements. One example is the establishment of the RUAG Innovation Organization on the Unlimitrust Campus in Lausanne, which enables proximity to EPFL as a university and innovation hub. This decision was also influenced by wanting to make active use of the highly attractive labor market and the excellent university expertise in French-speaking Switzerland.

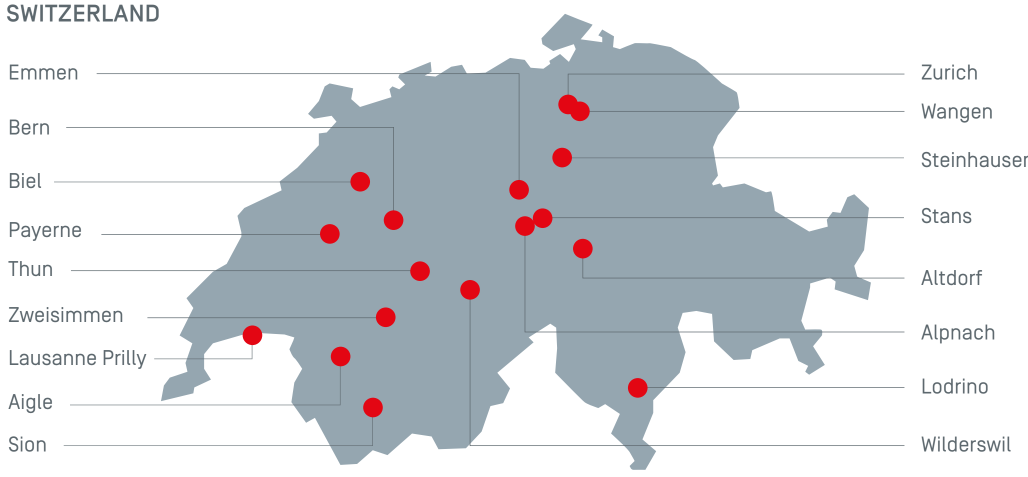
← State-of-the-art facility for EMC testing (electromagnetic compatibility)

A challenging year, result above target

IN TERMS OF EARNINGS, THE 2023 BUSINESS YEAR WAS A YEAR WITH NUMEROUS ONE-OFF EFFECTS. OVERALL, THE BUDGET FOR THE RELEVANT KEY PERFORMANCE INDICATORS WAS ACHIEVED OR EVEN EXCEEDED IN SOME CASES.

RUAG at a glance

MAIN SITES

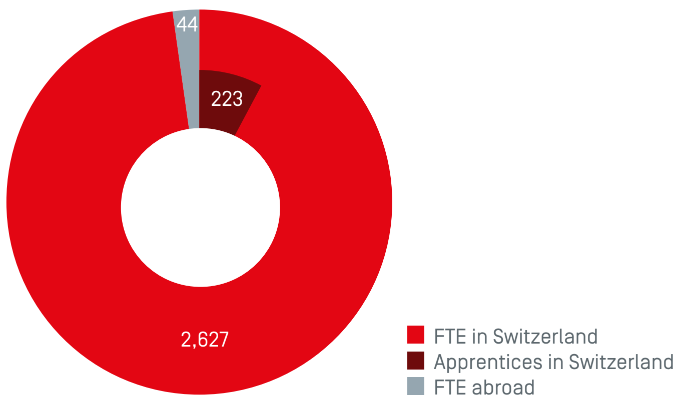


INTERNATIONAL

Germany
Berlin
Kassel

United States
Berlin, Connecticut

EMPLOYEES (FTE*) AS OF END OF DECEMBER



*FFTE = full time equivalents on the basis of the individual contractual working hours. All permanent employees with RUAG employment contracts (bonus contract, management contract, monthly salary, hourly wage, trainee contract) are included. Apprentices in Switzerland and abroad are also reported in FTE – measured in terms of contractual working hours. Employees with an internship or working student contract and external employees are not included in the FTE figures. The figures are rounded to full numbers.

KEY FIGURES OF RUAG MRO HOLDING LTD AT A GLANCE

in CHF m

	2023	2022	Change
Order intake	820	701	+119
Net sales	741	681	+59
Other operating income	11	0	+11
Research and development expenses	–19	–28	+9
EBITDA	51	43	+8
EBIT	22	15	+8
EBIT margin	2.9%	2.1%	+0.8%p
Net profit	20	27	–7
Free cash flow	–20	–8	–12
Net financial position	118	140	–23
Bank debt	20	–	+20

RUAG significantly exceeded the order intake targets in 2023 with CHF 820 million, mainly due to the acquisition of key orders. Particularly noteworthy are the offset business in connection with the Patriot system as well as the order for the second tranche of the COBRA mortar. Additionally, there were orders in the protection and helicopter sectors.

The business year was also very successful in terms of sales. At CHF 741 million, RUAG closed the year well up on the previous year (CHF +59 million). This is primarily attributable to the Business Area Ground: the Swiss Armed Forces placed a large order for material for the armored personnel carrier project in 2023 instead of 2025 as planned. Likewise, the business with POLYCOM radios was also positive. The Business Area Air fell short of its targets and was roughly on a par with the previous year. The two main reasons for this were a slight shortfall in performance and slightly fewer orders from our main customer.

At CHF 22 million, EBIT was slightly above budget overall. However, the picture in the individual Business Areas and companies varies. Whilst the BA Ground had a good year due to one-off effects, the high costs and lower performance of the BA Air had a negative impact on the result. This was offset by a good result from RUAG Real Estate, driven primarily by the sale of part of the Stans site.

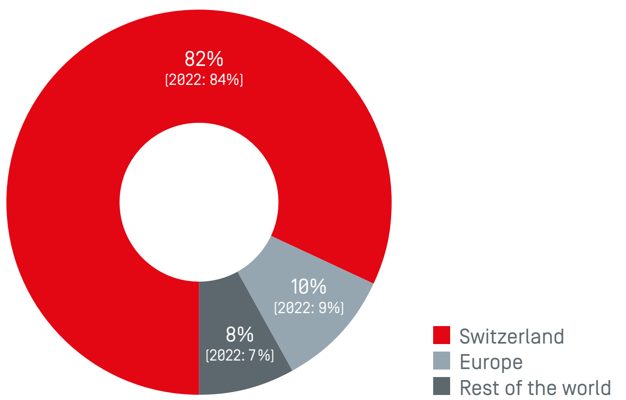
At CHF 118 million, the net financial position remained below the previous year (CHF 140 million), but was significantly better than planned.

In the year under review, RUAG increased its headcount by 180 full-time positions as of the reporting date, mainly due to the numerous ongoing contracts for the benefit of the Swiss Armed Forces.

For 2024, RUAG is targeting a result slightly above that of 2023. In terms of content, this year will once again be very challenging, since numerous operational and strategic projects are being implemented. From the perspective of the company as a whole, three priorities have been defined: stabilizing the organization in its new processes and systems (SAP S/4HANA go-live), ensuring the efficient provision of services and thus achieving the sales and earnings targets as well as further shaping the strategy. Liquidity must be built up gradually in order to be able to independently make investments in the future.

INVOICED SALES BY SALES MARKET

in %



Compliance and governance processes are proving themselves

↗ With regard to compliance and governance, the year under review was full of contrasts: On the one hand, RUAG made progress in achieving the targets set by the Federal Council and its risk management was successfully audited. On the other hand, various business transactions had to be reviewed. On top of this, CEO Brigitte Beck decided to leave RUAG.

RUAG has largely achieved its goal of providing the Swiss Armed Forces with high-quality, cost-optimized services in line with requirements and deadlines. The standardization of the SAP systems in 2024 will enable RUAG to provide services more efficiently and effectively and to improve process transparency.

Moreover, RUAG has coordinated its real estate strategy as well as its 10-year financial plan with the owner. The clean-up of asset erosion in real estate will extend well beyond the medium-term planning period.

The goals in the areas of compliance and governance were all achieved, the risk management was further developed and also successfully audited by an external service provider. The requirements for third-party business were met, although profitability is to be further optimized. The owner's profitability target, however, could not be achieved in 2023.

In light of two public appearances by Brigitte Beck in spring 2023 and the resulting controversy, the CEO decided to leave the company at the beginning of August. Until the appointment of a new CEO, Christian Priller, CFO, and Thomas Kipfer, Head of Business Area Air, will jointly lead RUAG.

After the German company Rheinmetall had shown interest in 96 Leopard 1 main battle tanks stored in Italy, a contract was signed in February 2023 under the condition that the deal could only be concluded with legally binding approval. On June 28, 2023, the Federal Council decided not to approve the deal.

At the end of August, the DDPS commissioned an audit of the Leopard 1 deal from the Swiss Federal Audit Office (SFAO): The SFAO subsequently investigated the events surrounding procurement, management and the contract with Rheinmetall since 2016. At the same time, RUAG itself launched a review of its internal business processes. The investigations are conducted independently of each other and are still ongoing.

For sovereign security.

OUR BOARD OF DIRECTORS

Nicolas Perrin
Chairman

Heinz Liechti
Vice Chairman

Nicolas Gremaud
Chairman of the Strategy Committee

Prof. Dr. Sibylle Minder Hochreutener
Chairwoman of the Nomination & Compensation Committee

Elisabeth Bourqui
Chairwoman of the Audit & Risk Management Committee

Monica Duca Widmer
Member of the Board of Directors

OUR EXECUTIVE BOARD

Thomas Kipfer
CEO RUAG MRO Holding Ltd a.i.
Senior Vice President Business Area Air

Christian Priller
CEO RUAG MRO Holding Ltd a.i.
CFO

Hartmut Jäschke
Senior Vice President Business Area Ground

Melanie Gödecke
Senior Vice President Business Area Technology & Services

Helene Müller
CHRO

Status as of 31 December 2023

HANDLING OF CONFLICTS OF INTEREST

In the past few years, RUAG made conscious efforts to further develop its company culture: Openness, transparency and honesty form the basis of productive collaboration and are at the same time a central component of all business activities. As a reliable security company, RUAG strives to consistently observe all regulations and requirements. The RUAG Code of Conduct serves to cultivate the clear values and principles to which RUAG is committed – within the company itself and with respect to customers, business partners, suppliers, politicians, authorities, society and the shareholder, the Swiss Confederation.

The RUAG MRO Holding Ltd organizational regulations require that the members of the Board of Directors and of the Executive Board recuse themselves when business matters are discussed that affect their own personal interests or the interests of natural or legal persons close to them. Moreover, they must refrain from any activity that may harm the Group or that may be either in direct or indirect competition with it. For the sake of transparency, the respective members must immediately and actively disclose their personal interests; this duty also applies vis-à-vis our owner. Important conflicts of interest and secondary employment of the members of the Board of Directors and the Executive Board are surveyed and reviewed twice a year. The members of the Board of Directors and the Executive Board are made aware of how to deal with conflicts of interest at least once a year. Furthermore, the additional occupations of all employees were recorded in order to address potential conflicts of interest.

Important conflicts of interest of the members of the Board of Directors and the Executive Board are disclosed at ruag.ch.

COMPENSATION STRUCTURE

The compensations paid to the members of the Board of Directors (including the Chairman) amounted to CHF 0.45 million (2022: CHF 0.41 million) and CHF 2.0 million (2022: CHF 2.2 million) for the members of the Executive Board (including the CEO).

These compensations paid out in 2023 include the remuneration of the Board of Directors and the gross salaries (incl. variable components for 2022) of the Executive Board, excluding employer contributions to social insurance and occupational pensions as well as fringe benefits.

The upper limit set by the General Assembly for the remuneration of the Board of Directors and the Executive Board was complied with.

INS/GPS
FMS
EMERG BATT
FORCED
PITOT
AURAL
WARNING
MAX LOAD 5KG
TRIM REL

RUAG MRO Holding Ltd
2023 Financial Report

This annual report of the RUAG MRO Holding Group, including the financial report audited by Ernst & Young, has been translated from German into other languages. These translations contain the same information and convey the same meaning as the German annual and financial report. In case of any inconsistency between the German version of the annual and financial report and that in another language, the German version shall prevail. The unrestricted auditors' reports of Ernst & Young on the financial statements of the RUAG MRO Holding Group and the individual financial statements are attached to the German version only.

Consolidated balance sheet as at 31 December

in CHF m

	Notes	2023	2022
Cash and cash equivalents	8	137.9	140.6
Current financial assets	9	0.0	0.3
Trade receivables	10	83.3	48.2
Prepayments to suppliers	10	6.5	5.7
Other current receivables	10	9.1	2.8
Prepaid expenses and accrued income		5.8	6.2
Inventories and work in progress	11	188.4	150.6
Current assets		431.1	354.3
Property, plant and equipment	13	226.9	233.9
Investment properties	14	90.4	94.1
Intangible assets	15	37.5	23.4
Associates	16	55.5	54.2
Deferred tax assets	7	0.3	0.4
Non-current assets		410.6	406.0
Total assets		841.7	760.4
Current financial liabilities	20	18.5	1.3
Trade payables		27.8	43.5
Prepayments from customers		65.1	51.9
Other current liabilities	17	19.9	13.8
Tax liabilities		5.7	3.1
Deferred income and accrued expenses	18	136.6	105.0
Current provisions	19	49.5	28.6
Current liabilities		323.0	247.3
Non-current financial liabilities	20	3.1	0.1
Non-current provisions	19	81.3	84.1
Deferred tax liabilities	7	12.0	9.5
Non-current liabilities		96.4	93.7
Share capital		0.1	0.1
Capital reserves		352.8	352.8
Retained earnings		90.0	71.5
Offsetting of goodwill		(14.0)	(1.1)
Other reserves		(1.1)	(1.1)
Cumulative foreign currency translation adjustments		(5.4)	(2.7)
Total equity capital		422.4	419.4
Total liabilities and equity		841.7	760.4

Due to rounding differences in the individual items, the totals may differ from the actual value.

Consolidated annual financial statements of RUAG MRO Holding Ltd

Consolidated income statement, 1 January to 31 December

in CHF m

	Notes	2023	2022
Net sales from goods and services	4	741.0	681.5
Changes in inventories of semi-finished and finished goods as well as unbilled goods and services		12.5	(9.0)
Other operating income		10.5	–
Operating performance		764.0	672.5
Cost of materials and purchased services		(271.5)	(235.6)
Personnel expenses	5	(363.0)	(344.4)
Other operating expenses	6	(78.0)	(49.1)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		51.5	43.4
Depreciation and impairment of property, plant and equipment / investment properties	13, 14	(28.9)	(28.3)
Depreciation and impairment of intangible assets	15	(0.5)	(0.5)
Earnings before interest and taxes (EBIT)		22.1	14.6
Financial revenue		0.9	0.8
Financial expenses		(2.4)	(1.1)
Share of profit of associates	16	6.8	16.2
Profit before taxes		27.3	30.5
Income taxes	7	(7.2)	(3.1)
Profit		20.1	27.4

Due to rounding differences in the individual items, the totals may differ from the actual value.

Consolidated annual financial statements of RUAG MRO Holding Ltd

Consolidated statement of cash flows, 1 January to 31 December

in CHF m

	Notes	2023	2022
Net profit		20.1	27.4
Depreciation and impairment	13, 14, 15	29.4	28.8
Change in non-current provisions (incl. deferred taxes)		(0.2)	(2.3)
Share of profit of associates	16	(6.8)	(16.2)
Other non-cash changes		(0.4)	(0.3)
(Gain)/loss on disposal of non-current assets incl. investments		(9.7)	(0.8)
Change in trade receivables		(29.3)	(7.5)
Change in inventories and work in progress		(36.5)	5.7
Change in prepayments to suppliers		(0.9)	6.7
Change in other receivables and prepaid expenses and accrued income		(5.7)	(2.5)
Change in trade payables		(15.5)	6.1
Change in prepayments to customers		13.0	(1.1)
Change in other liabilities and deferred income and accrued expenses		57.5	(12.6)
Cash flow from operating activities		15.3	31.4
Investments in tangible fixed assets	13	(21.7)	(29.7)
Investments in property, plant and equipment and investment properties	13, 14	(3.4)	(3.0)
Investments in intangible assets	15	(14.6)	(13.8)
Disposal of property, plant and equipment		0.7	0.6
Disposal of investment properties		16.5	1.4
Acquisition of majority interests less cash and cash equivalents acquired		(16.6)	-
Dividends received from associates		3.5	4.9
Cash flow from investing activities		(35.6)	(39.5)
Free cash flow		(20.3)	(8.1)
Change in financial assets		(0.6)	–
Receipt of current financial liabilities		17.0	(0.0)
Receipt of non-current financial liabilities		3.0	(0.2)
Financial income received		0.9	0.8
Financial expenses paid		(0.5)	(0.5)
Dividends paid to shareholders		(1.6)	(2.2)
Cash flow from financing activities		18.2	(2.2)
Change in cash and cash equivalents before foreign currency translation adjustments		(2.2)	(10.3)
Cash and cash equivalents at beginning of the year		140.6	150.8
Foreign currency translation adjustments in respect of cash and cash equivalents		(0.4)	0.1
Cash and cash equivalents at end of the year		137.9	140.6

Due to rounding differences in the individual items, the totals may differ from the actual value.

Consolidated statement of changes in equity

in CHF m

	Share capital	Capital reserves	Retained earnings	Offsetting of goodwill	Other reserves	Cumulative foreign currency translation adjustments	Total equity
Balance as at 1 January 2022	0.1	352.8	46.3	(1.1)	(1.3)	(1.8)	395.1
Net profit	–	–	27.4	–	–	–	27.4
Change in hedge accounting in equity	–	–	–	–	0.1	–	0.1
Currency conversion	–	–	–	–	–	(1.0)	(1.0)
Profit distribution	–	–	(2.2)	–	–	–	(2.2)
Balance as at 31 December 2022	0.1	352.8	71.5	(1.1)	(1.1)	(2.7)	419.4
Balance as at 1 January 2023	0.1	352.8	71.5	(1.1)	(1.1)	(2.7)	419.4
Net profit	–	–	20.1	–	–	–	20.1
Change in hedge accounting in equity	–	–	–	–	0.9	–	(0.9)
Currency conversion	–	–	–	–	–	(1.7)	(1.7)
Goodwill	–	–	–	(12.9)	–	–	(12.9)
Profit distribution	–	–	(1.6)	–	–	–	(1.6)
Balance as at 31 December 2023	0.1	352.8	90.0	(14.0)	(2.1)	(4.5)	422.4

The share capital comprises a total of 1,000 fully paid-up shares with a par value of CHF 100 each. There is no conditional share capital.

Due to rounding differences in the individual items, the totals may differ from the actual value.

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

RUAG MRO Holding Ltd is a public limited company with its registered office in Bern and is wholly owned by the Swiss Confederation. RUAG MRO Holding Ltd and its subsidiaries focus on their core business in security and defense technology with offerings in the military and civil sectors. RUAG MRO Holding Ltd is bound by the owner's strategy of the Swiss Federal Council and its fundamental mission is to equip and maintain the technical systems of the Swiss Armed Forces.

Relationship with the Swiss Confederation

The Swiss Confederation is the sole shareholder of RUAG MRO Holding Ltd. Under the terms of the Federal Act on Federal Armaments Companies (BGRB), any disposal of the capital or voting majority of the Swiss Confederation to third parties requires the approval of the Swiss parliament. 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. Note 25 shows the transactions with the federal government.

2 Summary of significant accounting policies

2.1 Basis of preparation

RUAG MRO Holding Ltd's consolidated financial statements have been prepared in accordance with the guidelines of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). Furthermore, the provisions of Swiss company law were complied with. The reporting period covers twelve months. The company's reporting currency is the Swiss franc (CHF). The balance sheet is structured according to maturities.

Current assets include assets that
- are realized within 12 months after the balance sheet date, or are sold or 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 must be settled within 12 months after the balance sheet date or
- where a cash outflow is probable within the scope of operational activities or
- if they are held for trading purposes.

All other liabilities are non-current liabilities.

The consolidated 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 recognized assets and liabilities, the application of accounting policies, the disclosure of contingent assets and liabilities at the end of the reporting period and the reporting of income and expenses during the reporting period. Even though these estimates and assumptions are based on the most recent knowledge of the management regarding current developments and events, the actual results may differ. Areas with particular complexity or those in which more extensive estimates and assumptions are necessary or where the assumptions and estimates made have a significant impact on the consolidated financial statements are presented in the respective notes.

2.2 Definition of non-Swiss GAAP FER compliant key performance indicators

The operating income sub-total shown separately in the consolidated financial statements contains all operating income, own work capitalized including changes in inventories and work in progress.

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

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

2.3 Principles and scope of consolidation

RUAG MRO Holding Ltd's annual consolidated financial statements include subsidiaries where RUAG MRO Holding Ltd is effectively able to control the financial and operating policies. For control to exist, the investor must have power, exposure or rights to variable returns and the ability to combine those requirements, that is the ability to use its power to affect the variable returns. This is usually the case if RUAG MRO Holding Ltd directly or indirectly holds the majority of the voting power 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 affiliates are consolidated with effect from the date of their acquisition or on their formation, and eliminated from the consolidated financial statements in the event of a loss of control. Changes to investments in subsidiary companies are recognized as equity transactions insofar as these subsidiary companies were previously controlled and continue to be controlled. Intra-Group receivables, liabilities, expenses and income, as well as unrealized 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 31 December as their reporting date.

Associates where RUAG MRO Holding Ltd exerts a significant influence (normally 20–50% of the voting rights are held directly or indirectly), but which the Group does not control, are recognized using the equity method. Initial recognition on acquisition is at purchase price, in the case of negative goodwill at fair value. When measured subsequently, the carrying amount of the investment is adjusted to take account of the share of profit or loss less the share of the profit distribution. These investments are reported under "Associates".

Investments where RUAG MRO Holding Ltd does not exercise significant influence (less than 20% of the voting rights are held directly or indirectly) are stated at historical cost less any valuation allowances and shown under "Non-current financial assets".

2.4 Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the date of the transaction. Foreign currency receivables and payables (monetary items) are translated at the year-end exchange rate on the balance sheet date. The resulting exchange differences are recognized in profit or loss.

Assets and liabilities of foreign subsidiaries with a functional currency other than Swiss francs and associated companies are translated on consolidation at the year-end exchange rate. Equity is translated at historical rates. The consolidated income statement and the consolidated cash flow statements are translated at the average exchange rate for the reporting period. Exchange differences arising from the conversion of the annual statements of subsidiaries or associates are recognized directly in consolidated equity and reported separately as cumulative foreign currency translation adjustments. In the event of the disposal (to the extent that this leads to the loss of control or significant consolidated influence) of a foreign subsidiary or associate, the cumulative foreign currency translation adjustments previously recognized in consolidated equity are transferred to the consolidated income statement as a component of the gain or loss on disposals.

The differences of the reporting period arising from the translation of consolidated equity and non-current intercompany financing campaigns in connection with net investments in foreign subsidiaries, retained earnings and other equity items are included in cumulative foreign currency translation adjustments in equity.

In these consolidated financial statements, the significant currencies were translated at the following rates in the reporting year:

Currency exchange rates

Currency		Unit	Annual average 2023	Year-end closing rate 2023	Annual average 2022	Year-end closing rate 2022
Euro	EUR	1	0.97	0.93	1.01	0.99
US dollar	USD	1	0.90	0.84	0.95	0.92

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash and the balances in postal checking and demand deposit accounts with financial institutions. They also include term deposits held with financial institutions and short-term money market investments that have a remaining term of no more than three months as of the balance sheet date. This definition is also used for the statement of cash flows. Cash and cash equivalents are recognized at amortized cost.

2.6 Financial assets

Current financial assets comprise term deposits held with financial institutions and short-term money market investments that are held for trading or due within one year. See Note 2.21 for the presentation of derivative financial instruments.

2.7 Receivables and prepayments

Receivables and prepayments are recognized at nominal value less allowances for doubtful accounts. The valuation allowances are estimated on the basis of an analysis of the actual exposure to losses from receivables outstanding at the end of the reporting period. The valuation allowances consist of specific valuation allowances for specifically identified items and general valuation allowances. Receivables and prepayments judged to be non-recoverable are charged to profit or loss.

2.8 Inventories and work in progress

Inventories are valued at acquisition or production cost or – if lower – at net market value. Discounts are treated as reductions in acquisition cost. The acquisition and production costs include all costs for acquisition and production, including proportional production overheads. All foreseeable exposures to loss from work in progress are accounted for by recognizing economically reasonable valuation allowances. Inventories are valued using the weighted average method or standard cost accounting. The standard costs that are determined are regularly monitored and, if any major discrepancies are observed, adjusted to the latest conditions. For inventories that are difficult to sell or inventories with lower turnover, value adjustments are made. Inventories that cannot be sold are fully impaired.

Work in progress is recognized in the consolidated financial statements using the percentage-of-completion method (POCM), provided that the relevant requirements are met. Services rendered, costs incurred and profits, if any, are recognized by reference to the stage of completion. The percentage of completion is generally calculated by comparing the costs incurred and the expected costs of the entire contract (cost-to-cost method). If the conditions for the application of the POCM are not met, sales are recognized to the extent of the recoverable expenses incurred (without recognition of profit). Recognizable losses and unrecoverable expenses are immediately charged to profit or loss for the period.

2.9 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment. Repair and maintenance costs are stated as an expense. Major renovations and other value enhancing costs are capitalized and depreciated over their estimated useful life. The carrying amount of the replaced parts is written off. Items are depreciated on a straight-line basis, with the exception of land, which is not depreciated and is recognized at cost. Anticipated additional costs associated with the disposal of contaminants in connection with the dismantling of buildings are capitalized as non-current assets and depreciated over the expected period of dismantling of buildings.

The estimated useful lives for the main classes of property, plant and equipment are:

Category	Operating life in years
Machinery and technical equipment	8 to 12
Fixtures and fittings	10
IT	3
Vehicles	5 to 10
Assets under lease	3 to 12
Property, plant and equipment (excluding land)	10 to 60

The useful lives are reviewed at least once a year at the end of the reporting period and adjusted where necessary.

2.10 Leases

All lease transactions are classified as operating leases.

2.11 Investment properties

Investment properties are measured at cost minus accumulated depreciation and impairment. Repair and maintenance costs are stated as an expense. Major renovations and other value enhancing costs are capitalized and depreciated over their estimated useful life. Investment properties are depreciated on a straight-line basis over a useful life of 40 to 60 years with the exception of land, which is not depreciated and is recognized at cost.

Majority leased sites to third parties are classified as investment properties.

2.12 Intangible assets and goodwill

Intangible assets have a finite useful life and are recognized at cost less accumulated depreciation and impairment. Intangible assets acquired separately in business combinations are recognized at their acquisition-date fair value less any necessary value adjustments.

Capitalization of development costs is reviewed on a case-by-case basis. Development costs are only recognized 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. Capitalized development costs are measured at cost less accumulated depreciation and accumulated impairment losses. Research expenses are not capitalized and are expensed as incurred.

Items are amortized on a straight-line basis over the following estimated useful lives:

Category	Operating life in years
Patents and developments	5 to 15
Trademarks, patterns, models, plans	3 to 8
ERP systems	5
Licenses, concessions, rights of use and rights to the company's name	1 to 10

The useful lives are reviewed at least once a year at the end of the reporting period and adjusted where necessary.

Business combinations are accounted for using the acquisition method. The cost is recognized at the fair value of the consideration at the transaction date. Identifiable assets acquired and liabilities and contingent liabilities assumed are recognized in the balance sheet at their acquisition-date fair value, irrespective of the extent of any non-controlling interest. Transaction costs are recognized as expenses in the consolidated income statement. The acquisition costs exceeding the net assets recognized at fair value (goodwill) are offset against consolidated equity at the time of acquisition. If the purchase price contains elements that depend on future events, these are estimated and recognized as accurately as possible at the time of acquisition. Changes in contingent purchase price components lead to an adjustment of the goodwill offset against equity. The impact of the goodwill being theoretically capitalized (acquisition cost, residual value, useful life, amortization) and any potential impairment are shown in the notes to the consolidated financial statements. Negative goodwill is also offset against consolidated equity. When a company is sold, the goodwill previously recorded under equity will be booked out and then recognized in the consolidated income statement as a component of the gain or loss on disposals.

Purchase price components (earn-out) that are dependent on future earnings and whose cash outflow is probable are part of the acquisition costs at the time of acquisition. The earn-out is subsequently measured on the respective balance sheet date. A change leads to an adjustment of the goodwill offset against consolidated equity.

2.13 Impairment

If there are indications of impairment of property, plant and equipment, investment properties or intangible assets, the recoverability is tested as of the balance sheet date. If the carrying amount exceeds the higher of net fair value and value in use, an impairment loss for the difference is recognized as an expense.

2.14 Liabilities

Liabilities are recognized at nominal value.

2.15 Accruals and deferrals

Prepaid expenses and accrued income as well as accrued expenses and deferred income are used to recognize expenses and income on an accrual basis.

2.16 Provisions

Provisions are recognized where, due to a past event, RUAG MRO Holding Ltd and/or a subsidiary

- has a present legal or constructive obligation;
- 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 effect of discounting is material.

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

Provisions for warranties Provisions for warranties are recognized based on the sales revenue to which warranty obligations relate and the goods and services provided in the past.

Provisions for staff Employees' entitlements to leave and overtime credits are calculated at the end of the reporting period and accounted for on an accrual basis. Other long-term employee benefits include long-service awards. These are calculated using the projected unit credit method.

Provisions for asset retirement obligations Expected additional costs for the disposal of contaminants in the real estate area.

Other provisions contain the risks not covered in the above provisions (environmental risks, litigation risks, etc.).

2.17 Employee benefit obligations

In accordance with Swiss statutory regulations, RUAG MRO Holding Ltd has pension plans for its employees managed in a collective foundation that is financially independent of the Group. They are financed via employee and employer contributions.

The economic impacts of the pension plans are assessed on an annual basis. Any excesses/shortfalls are determined on the basis of the annual financial statements of the corresponding pension funds; such calculations are based on Swiss GAAP FER 26 (Swiss plans).

An economic benefit is only capitalized if this is permitted and where the intention is

- to use the net obligation to reduce employer contributions;
- to refund it to the employer in line 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 recognized if the conditions for creating a provision are met under Swiss GAAP FER 23. This is recognized under employee benefit obligations.

Changes to an economic benefit or liability are recognized in the income statement in the same way as for the contributions made for the period. Any impact on income of foreign pension plans is recorded in the operating result under personnel expenses.

2.18 Current and deferred income taxes

Income taxes include all current and deferred taxes that are based on income. They are recognized in profit or loss except to the extent that they relate to a business combination or to an item recognized directly in equity. Taxes that are not based on income, such as taxes on real estate and capital, are recognized under "Other operating expenses".

Current income taxes comprise the taxes expected to be payable in respect of taxable income, calculated at the tax rates that are applicable or are announced as of the balance sheet date, and any adjustments to the tax liability in respect of prior periods.

Deferred taxes are recognized 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 recognized for:

- temporary differences when recognizing assets and liabilities for

the first time in relation to transactions that do not impact net profit or taxable income; and
– temporary differences in relation to stakes in subsidiaries and associates, provided the Group is able to control the period of time over which these differences will be reversed and it is likely 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 realized or settled. In this regard, tax rates apply that are applicable or are announced as of the balance sheet date. Deferred taxes are included in non-current assets (deferred tax assets) or non-current liabilities (deferred tax liabilities). Deferred tax assets for unused tax losses and deductible temporary differences are recognized to the extent that there are likely to be future profits against which they can be used. The tax rates are based on the actual tax rates and the tax rates expected to apply at the legal entities in question.

2.19 Net sales from goods and services

Net sales from goods and services include the value of the consideration received from the sale of goods and the rendering of services by RUAG MRO Holding Ltd in its ordinary business operations. The amount is shown after any deductions for value added tax, price reductions, rebates and discounts. RUAG MRO Holding Ltd records its sales when the amounts can be measured reliably and future cash flows are likely.

Net sales from goods and services consist of "invoiced sales" plus "change in contracts under the percentage of completion (POC) method". The "invoiced sales" include invoiced amounts for goods and services already provided in the period, while the "change in contracts under the percentage of completion (POC) method" includes the goods and services already provided under current production and service contracts and measured using the percentage of completion method (see Note 2.8 on total inventories and work in progress).

2.20 Related party transactions

The Swiss Confederation is considered a related party. Significant transactions with the Swiss Confederation and entities controlled by it include business relationships with the Swiss Federal Department of Defense, Civil Protection and Sport (DDPS) and the sister group RUAG International Holding Ltd.

RUAG MRO Holding Ltd provides maintenance services and produces defense equipment for the DDPS and procures services from the same. The DDPS is RUAG MRO Holding Ltd's largest customer. The procurement contracts awarded by the DDPS for defense products and services are subject to civil law. The process of awarding such contracts is subject to the Swiss Confederation's provisions regarding public procurement. These provisions apply to all suppliers of goods and services, and are based on the principle of free competition.

2.21 Derivative financial instruments

All open derivatives are recognized at fair value at the balance sheet date and are included gross in current or non-current financial assets or liabilities. Changes in the fair value of derivatives used to hedge recognized underlying transactions are accounted for in the same way as the underlying transaction. Changes in the fair value of derivatives used to hedge future cash flows are recognized directly in consolidated equity until the underlying transaction is settled. At the time of the realization of the underlying transaction, the gain or loss on the derivative recognized in consolidated equity is transferred to the consolidated income statement.

3 Consolidated companies and associates

Company	Registered office	Country		Share capital (100%)	Capital and voting share 31.12.2023	Capital and voting share 31.12.2022	Consolidation method
RUAG MRO Holding Ltd	Bern	Switzerland	CHF	100,000			Full
Consolidated companies							
RUAG Ltd	Emmen	Switzerland	CHF	100,000	100.0%	100.0%	Full
RUAG Real Estate Ltd	Bern	Switzerland	CHF	8,000,000	100.0%	100.0%	Full
Nidwalden AirPark Ltd	Stans	Switzerland	CHF	n/a	n/a	100.0%	Full
Swiss Innovation Forces Ltd	Thun	Switzerland	CHF	100,000	100.0%	100.0%	Full
RUAG GmbH	Kassel	Germany	EUR	100,000	100.0%	100.0%	Full
RUAG Inc.	Berlin, CT	USA	USD	1,500	100.0%	100.0%	Full
CyOne Security Ltd	Steinhausen	Switzerland	CHF	100,000	100.0%	0.0%	Full
Associates							
Nitrochemie Wimmis AG	Wimmis	Switzerland	CHF	25,000,000	45.0%	45.0%	Equity
Nitrochemie Aschau GmbH	Aschau	Germany	EUR	7,700,000	45.0%	45.0%	Equity

Changes in the scope of consolidation

Merger of Nidwalden AirPark Ltd with RUAG Real Estate Ltd
On 16 June 2023, Nidwalden AirPark Ltd was merged with RUAG Real Estate with retroactive effect from 31 December 2022.

Acquisition of CyOne Security Ltd CyOne Security Ltd was acquired on 1 July 2023.

4 Net sales from goods and services

in CHF m

	2023	2022
Invoiced net sales from goods and services	729.8	668.9
Change in contracts under the percentage of completion (POC) method*	11.1	12.6
Total net sales from goods and services	741.0	681.5

*see Note 12

Analysis of invoiced net sales from goods and services

DDPS	512.4	490.6
Other	217.5	178.3
Invoiced net sales from goods and services by customer group	729.8	668.4
of which real estate	54.3	49.2

Aside from the DDPS, RUAG MRO Holding Ltd has no other customer relationships accounting for more than 10% of net sales from goods and services. RUAG Real Estate Ltd accounted for 5.2% of net sales from goods and services in the reporting year (previous year: 7.2%).

Switzerland	597.3	560.7
Europe	74.3	60.5
North America	30.3	25.8
Middle East	11.0	12.1
Other	16.9	9.8
Invoiced sales by region	729.8	668.9

Sales in the Europe region mainly relate to Germany.

5 Personnel expenses

in CHF m

	2023	2022
Wages and salaries	(283.9)	(267.7)
Benefit plan expenses	(29.0)	(25.3)
Other social security expenses	(26.9)	(23.7)
External personnel	(9.7)	(17.8)
Other personnel expenses	(13.7)	(9.9)
Total personnel expenses	(363.0)	(344.4)

Due to rounding differences in the individual items, the totals may differ from the actual value.

Notes to the consolidated annual financial statements for RUAG MRO Holding Ltd

6 Other operating expenses

in CHF m

	2023	2022
Premises costs	(0.5)	(0.3)
Maintenance and repairs of property, plant and equipment	(20.7)	(17.8)
Cost of energy and waste disposal	(1.9)	(1.5)
Property insurance and levies	(2.8)	(2.4)
Administration and IT costs	(29.3)	(18.2)
Advertising expenses	(6.0)	(5.8)
Other operating expenses	(16.8)	(4.8)
Other operating income	–	1.7
Total other operating expenses	(78.0)	(49.1)

7 Income taxes

in CHF m

	2023	2022
Current income taxes	(4.6)	(5.4)
Deferred income taxes	(2.6)	2.3
Total income taxes	(7.2)	(3.1)

Deferred tax assets and liabilities

in CHF m

	2023	2022
Total deferred taxes at 1 January	(9.1)	(11.3)
Changes recognized in profit or loss	(2.6)	2.3
Changes in equity with no impact on profit or loss	0.0	(0.0)
Changes in the scope of consolidation	–	(0.0)
Foreign currency translation adjustments	(0.0)	0.0
Total deferred taxes at 31 December	(11.7)	(9.1)
of which deferred tax assets	0.3	0.4
of which deferred tax liabilities	(12.0)	(9.5)
Expected weighted tax rate	17.6%	9.4%
Effective income tax rate	27.6%	10.6%

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 deferred income tax asset for unused tax loss carryforwards amounts to CHF 3.2 million (previous year: CHF 0.7 million).

Due to rounding differences in the individual items, the totals may differ from the actual value.

8 Cash and cash equivalents
in CHF m

	2023	2022
Cash on hand	0.0	0.1
Demand deposits with financial institutions	96.9	100.5
Money market investments	41.0	40.0
Total cash and cash equivalents	137.9	140.6

9 Financial assets

Current financial assets
in CHF m

	2023	2022
Derivative financial instruments	0.0	0.3
Total current financial assets	0.0	0.3

Non-current financial assets
in CHF m

	2023	2022
Derivative financial instruments	–	0.0
Total non-current financial assets	–	0.0

10 Trade receivables, prepayments to suppliers and other current receivables
in CHF m

	2023	2022
Trade receivables	91.8	55.0
Valuation allowances	(8.5)	(6.7)
Total trade receivables	83.3	48.2
Current receivables from government agencies	8.3	2.1
Other current receivables	0.8	0.6
Total other current receivables	9.1	2.8

Due to rounding differences in the individual items, the totals may differ from the actual value.

11 Inventories and work in progress
in CHF m

	2023	2022
Raw materials and supplies	98.6	82.6
Work in progress at cost of conversion	32.7	30.2
Work in progress (percentage of completion)[1]	53.1	35.9
Semi-finished goods	46.5	40.6
Finished goods	3.0	4.3
Valuation allowances	(45.4)	(43.0)
Total inventories and work in progress	188.4	150.6

[1] The key figures for work in progress, which is measured using the percentage of completion method, are explained in further detail in Note 12.

The RUAG MRO Holding Ltd Group has a stockpile for several years of operating materials and consumables for various aviation systems of the Swiss Armed Forces. This stockpile is held expressly in accordance with the requirements of the DDPS.

If individual systems are decommissioned and this results in the need for a valuation adjustment, the residual values can be claimed from the DDPS.

12 Long-term contracts under the Percentage of Completion Method (POCM)
in CHF m

	2023	2022
Net sales from goods and services from long-term contracts under POCM	490.6	409.3
Advances received from customers relating to POC contracts	6.6	6.2

Due to rounding differences in the individual items, the totals may differ from the actual value.

13 Property, plant and equipment

in CHF m

	Machinery and technical equipment	Other property, plant and equipment[1]	Land[2]	Buildings	Assets under construction	Total property, plant and equipment
At cost						
Balance as at 1 January 2022	103.0	87.6	42.1	437.6	20.3	690.5
Accruals	3.0	12.6	–	1.8	12.4	29.7
Disposals	(3.2)	(4.8)	–	(2.0)	–	(10.0)
Reclassifications[3]	3.8	0.2	–	5.4	(9.5)	(0.1)
Foreign currency translation adjustments	(0.0)	(0.0)	–	0.0	–	(0.0)
Balance as at 31 December 2022	106.5	95.6	42.1	442.8	23.2	710.1
Accumulated amortization						
Balance as at 1 January 2022	80.5	58.5	–	326.2	(0.0)	465.2
Scheduled depreciation	4.2	6.0	–	10.1	–	20.3
Disposals	(3.2)	(4.5)	–	(1.6)	–	(9.3)
Reclassifications[3]	0.0	0.0	–	(0.0)	–	(0.0)
Foreign currency translation adjustments	(0.0)	(0.0)	–	0.0	–	(0.0)
Balance as at 31 December 2022	81.6	60.0	–	334.6	(0.0)	476.2
At cost						
Balance as at 1 January 2023	106.5	95.6	42.1	442.8	23.2	710.1
Additions to the scope of consolidation[4]	–	0.4	–	–	–	0.4
Accruals	8.8	2.9	–	0.5	9.6	21.7
Disposals	(1.3)	(2.9)	(6.6)	(8.2)	0.0	(19.0)
Reclassifications[3]	0.6	(0.1)	–	12.9	(13.8)	(0.3)
Foreign currency translation adjustments	(0.0)	(0.0)	–	(0.0)	–	(0.0)
Balance as at 31 December 2023	114.6	96.0	35.5	447.9	19.0	713.0
Accumulated amortization						
Balance as at 1 January 2023	81.6	60.0	–	334.6	(0.0)	476.2
Scheduled depreciation	4.8	6.5	–	10.4	–	21.7
Impairment	–	–	–	–	–	–
Disposals	(1.3)	(2.4)	–	(8.0)	0.0	(11.6)
Reclassifications[3]	–	0.1	–	(0.1)	–	(0.1)
Foreign currency translation adjustments	(0.0)	(0.0)	–	(0.0)	–	(0.0)
As at 31 December 2023	85.1	64.1	–	336.9	–	486.1
Balance sheet values						
as at 1 January 2022	22.5	29.1	42.1	111.4	20.3	225.5
as at 31 December 2022	24.9	35.5	42.1	108.2	23.2	233.9
as at 31 December 2023	29.5	31.8	35.5	111.1	19.0	226.9

1 Fixtures and fittings, IT, contract-financed property, plant and equipment and vehicles
2 As of 31 December 2023, the carrying amounts of undeveloped land amounted to CHF 2 million (previous year: CHF 2.0 million).
3 Reclassification in the amount of CHF 13.8 million from assets under construction to buildings and machinery/technical equipment relates to the completion of the universal transmission test bench and the EMC test center. In 2023, reclassification in the amount of CHF 0.1 million from property, plant and equipment to investment properties (previous year CHF 0.2 million from investment properties to property, plant and equipment).
4 With the purchase of CyOne Security Ltd, other property, plant and equipment totaling CHF 0.4 million was acquired.

Due to rounding differences in the individual items, the totals may differ from the actual value.

14 Investment properties

in CHF m

	2023	2022
At cost		
As at 1 January	375.6	387.5
Accruals[1]	3.4	3.0
Disposals[2]	(5.3)	(15.0)
Reclassifications[3]	0.4	0.1
As at 31 December	374.1	375.6
Accumulated amortization		
As at 1 January	281.5	288.1
Scheduled depreciation	7.3	8.0
Disposals	(5.2)	(14.6)
Reclassifications	0.1	0.0
As at 31 December	283.7	281.5
Balance sheet values		
As at 1 January	94.1	99.4
As at 31 December	90.4	94.1

1 The accruals in the reporting year relate to value-enhancing major renovations as well as extensions and conversions.
2 The disposal relates to the sale of part of the property in Stans.
3 Reclassification of CHF 0.4 million from property, plant and equipment to investment properties (previous year CHF 0.1 million from investment properties to property, plant and equipment).

Due to rounding differences in the individual items, the totals may differ from the actual value.

15 Intangible assets

in CHF m

	Patents and developments	Licenses and rights	Order backlog and customer relationships	Intangible work in progress [2]	Total intangible assets
At cost					
Balance as at 1 January 2022	1.0	3.3	22.5	9.5	36.3
Accruals [1]	–	0.4	–	13.4	13.8
Disposals	–	(0.1)	–	–	(0.1)
Foreign currency translation adjustments	(0.0)	(0.0)	(0.1)	–	(0.1)
Balance as at 31 December 2022	1.0	3.6	22.4	22.9	49.9
Accumulated amortization					
Balance as at 1 January 2022	1.0	2.6	22.5	–	26.1
Scheduled depreciation	–	0.5	–	–	0.5
Disposals	–	(0.1)	–		(0.1)
Foreign currency translation adjustments	(0.0)	(0.0)	(0.1)	–	(0.1)
Balance as at 31 December 2022	1.0	3.0	22.4	–	26.4
At cost					
Balance as at 1 January 2023	1.0	3.6	22.4	22.9	49.9
Accruals [1]	3.1	–	–	11.5	14.6
Disposals	(0.9)	(0.3)	–	–	(1.2)
Reclassification	–	1.3	–	(1.4)	(0.1)
Foreign currency translation adjustments	(0.0)	(0.0)	(0.2)	–	(0.2)
As at 31 December 2023	3.1	7.8	22.3	33.0	63.1
Accumulated amortization					
Balance as at 1 January 2023	1.0	3.0	22.4	–	26.4
Scheduled depreciation	–	0.5	–	–	(0.5)
Disposals	(0.9)	(0.3)	–	–	(1.2)
Foreign currency translation adjustments	(0.0)	(0.0)	(0.2)	–	(0.2)
As at 31 December 2023	0.0	3.3	22.3	–	25.6
Balance sheet values					
as at 31 December 2022	–	0.6	–	22.9	23.4
as at 31 December 2023	3.1	4.5	–	33.0	37.5

[1] The accruals are mainly attributable to the project for the development and introduction of the new SAP S/4HANA ERP system.
[2] The share of internally generated intangible assets amounts to CHF 12.2 million (previous year: CHF 3.5 million).

The scheduled depreciation and impairment of intangible assets are reported in the consolidated income statement under "Depreciation and impairment of intangible assets".

Goodwill The goodwill from acquisitions is offset directly against the consolidated equity at the time of acquisition. The theoretical capitalization, 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

	2023	2022
At cost		
As at 1 January	1.1	1.1
Accruals [1]	12.9	–
As at 31 December	14.0	1.1
Accumulated amortization		
As at 1 January	1.1	1.1
Theoretical scheduled depreciation	1.3	–
As at 31 December	2.3	1.1
Theoretical net book value		
As at 1 January	–	–
As at 31 December	11.6	–

[1] The acquisition of CyOne Security Ltd resulted in goodwill of CHF 12.9 million, which was offset against consolidated equity. A theoretical useful life of 5 years means a theoretical scheduled depreciation of CHF 1.3 million for 2023.

16 Associates

in CHF m

	2023	2022
Book value of interests in associates as at 1 January	54.2	44.9
Share in profit of associates	6.8	16.2
Dividends	(3.8)	(6.0)
Foreign currency translation adjustments	(1.6)	(1.0)
Book value of interests in associates as at 31 December	55.5	54.2

17 Other current liabilities

in CHF m

	2023	2022
vis-à-vis third parties	3.0	0.4
vis-à-vis government bodies	16.8	13.5
vis-à-vis pension schemes	0.1	–
Total other current liabilities	19.9	13.8

18 Deferred income and accrued expenses

in CHF m

	2023	2022
Deferred income and accrued expenses for POC contracts	92.9	75.3
Income relating to future periods	0.4	0.4
Outstanding trade accounts payable	30.6	16.1
Personnel-related accrued expenses	11.5	10.5
Other deferred income and accrued expenses	1.1	2.7
Total deferred income and accrued expenses	136.6	105.0

19 Provisions

in CHF m

	Contract losses	Warranties	Personnel	Asset retirement obligations	Other	Total provisions
Balance at 1 January 2022	15.2	5.2	14.1	75.3	5.5	115.3
Additions	6.6	2.2	5.6	0.6	10.3	25.2
Reversals	(1.7)	(1.3)	(1.8)	(0.2)	(0.8)	(5.8)
Use of provisions	(9.1)	(1.6)	(4.4)	(0.3)	(6.7)	(22.1)
Balance at 31 December 2022	10.9	4.5	13.6	75.5	8.2	112.7
Current provisions	10.5	4.5	8.1	–	5.5	28.6
Non-current provisions	0.4	–	5.5	75.5	2.7	84.1

	Contract losses	Warranties	Personnel	Asset retirement obligations	Other	Total provisions
Balance at 1 January 2023	10.9	4.5	13.6	75.5	8.2	112.7
Additions to the scope of consolidation	–	–	0.8	–	0.0	0.8
Additions	3.8	3.3	9.9	0.6	18.4	35.9
Reversals	(0.3)	(0.9)	(0.2)	(1.9)	(1.9)	(5.3)
Use of provisions	(0.6)	(1.2)	(7.0)	(0.3)	(4.2)	(13.2)
Balance at 31 December 2023	13.8	5.7	17.0	73.9	20.5	130.8
Current provisions	13.7	5.7	11.0	–	19.0	49.5
Non-current provisions	0.0	–	5.9	73.9	1.5	81.3

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

Additions to the scope of consolidation The additions relate to the provisions of CyOne Security Ltd as of 30 June 2023.

Provisions for contract losses The increase in the reporting year is mainly due to the change in method as part of the migration to SAP S/4HANA (redefinition and harmonization of the definition of production costs). The other reversals and uses of provisions relate to adjustments to the planned costs, and project completion.

Provisions for personnel The increase in the reporting year mainly relates to an increase in overtime and unused holiday due to the Cervino project (SAP S/4HANA migration).

Provisions for asset retirement obligations For the anticipated additional costs associated with the disposal of contaminants in connection with the dismantling of buildings owned by RUAG Real Estate Ltd, a provision of CHF 75.4 million was made in the previous year. These asset retirement obligations were capitalized in the non-current assets at the same time and will be converted into expenses in the timeframe anticipated for the dismantling the buildings (see Note 13 "Property, plant and equipment" and 14 "Investment properties"). These provisions are discounted at 0.75%.

Other provisions Among other things, this item includes provisions for environmental and litigation risks. In connection with the Leopard 1 depot (tanks and spare parts) in Italy, the Swiss Federal Audit Office (SFAO) conducted an investigation in collaboration with a law firm commissioned by RUAG. The SFAO published its report on the Leopard 1 depot and related transactions in February 2024. The law firm is currently also investigating events in connection with certain Leopard 2 transactions. This investigation has not yet been finalized.

Independently of these two investigations, management has recognized provisions for charges from existing contracts in connection with LE01/2 based on current knowledge. It is currently not possible to assess whether further charges could arise from the investigations.

Due to rounding differences in the individual items, the totals may differ from the actual value.

20 Financial liabilities

in CHF m

Current financial liabilities

	2023	2022
Bank liabilities	17.0	–
Liabilities from hedge accounting	1.5	1.3
Total current financial liabilities	18.5	1.3

Non-current financial liabilities

	2023	2022
Bank liabilities	3.1	–
Liabilities from hedge accounting	–	0.1
Total non-current financial liabilities	3.1	0.1

21 Employee benefit obligations

All employees of the RUAG MRO Holding Ltd Group in Switzerland are insured against the risks of old age, death and disability with the Livica Collective Foundation. The Livica Collective Foundation is a partly autonomous pension 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 pension fund also provides benefits over and above the compulsory minimum under the Swiss Occupational Pensions Act (BVG) (comprehensive fund). There is congruent reinsurance for the risks of death and disability. A company is affiliated in accordance with the pension fund regulations on the basis of a written affiliation agreement, which the supervisory authority must be advised of. In principle, the affiliated company forms its own pension fund within the foundation. The Livica Collective Foundation is registered with and regulated by the Bernische BVG- und Stiftungsaufsicht ("Bern supervisory authority for occupational pension funds and foundations"). The Livica Collective Foundation is subject to the provisions of the BVG. Under those provisions, the management body of the pension fund is also responsible for ensuring that, in the event of a net obligation, restructuring measures are decided on 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 of the individual pension funds are made by the pension fund commissions, which are composed of equal numbers of employee and employer representatives.

The following table shows the economic benefit and economic liability at the end of the reporting year and the corresponding development of benefit plan expenses:

in CHF m	2023 Surplus/ deficit	2023 Economic benefit/ liability	2022 Economic benefit/ liability	2023 Contributions accrued for the period	2023 Expense of benefit plans in personnel expenses	2022 Expense of benefit plans in personnel expenses
Benefit plans without surplus/deficit	–	–	–	–	29.0	25.3
Total	–	–	–	–	29.0	25.3

At the end of the reporting year and the previous year, there were no employer contribution reserves.

Due to rounding differences in the individual items, the totals may differ from the actual value.

22 Off-balance sheet business

in CHF m

	2023	2022
Contingent liabilities	5.3	3.4
Additional contingent liabilities not stated on the balance sheet	4.8	5.0

Contingent liabilities mainly include performance guarantees to customers in connection with operating activities.

Additional contingent liabilities not stated on the balance sheet include delivery and acceptance obligations, investment obligations and agreed contractual penalties.

23 Operating leases

in CHF m

	2023	2022
Less than 1 year	2.9	3.3
1 to 5 years	8.5	10.9
More than 5 years	7.9	12.5
Total	19.3	26.7

24 Derivative financial instruments

in CHF m

	2023	2022
Foreign exchange hedging contracts (sale of currencies)	–	5.1
Foreign exchange hedging contracts (purchase of currencies)	(52.5)	(61.0)
Positive replacement values	0.0	0.3
Negative replacement values	(1.5)	(1.5)

The contracts were concluded to hedge currency risks arising from operating activities in various currencies.

25 Related party transactions

in CHF m

	2023	2022
Net sales from goods and services	524.3	517.3
Cost of materials and purchased services	3.2	15.5
Trade receivables	39.8	17.1
Trade payables	5.0	5.4
Prepayments from customers	4.5	3.8

Net sales from goods and services with the Swiss Federal Department of Defense, Civil Protection and Sport (DDPS) amount to CHF 512.4 million (2022: CHF 490.6 million) and relate to the equipping and maintenance of the Swiss Armed Forces' technical systems. Net sales with RUAG International Holding Ltd in the amount of CHF 11.9 million (2022: CHF 14.6 million) mainly concern rental income.

There are no other significant transactions with related parties.

Due to rounding differences in the individual items, the totals may differ from the actual value.

26 Business combinations

in CHF m

100% of the share capital of CyOne Security Ltd was acquired, with effect from 1 July 2023. The following assets and liabilities were acquired:

	Notes	2023
Current assets		12.2
Non-current assets		0.5
Current liabilities		(4.5)
Net assets acquired		8.2
Purchase price		21.1
Goodwill	13	12.9

In accordance with the accounting principles 2.12, goodwill was offset against consolidated equity (see consolidated statement of changes in equity).

CyOne Security Ltd had generated net sales from goods and services of CHF 12.9 million at the time of the sale (30 June 2023) and CHF 6.5 million for the period from 1 July to 31 December 2023.

The purchase agreement contains a purchase price adjustment clause (earn-out). According to the contract, the final purchase price is determined by 2023 EBITDA , among other things.

At the time of acquisition, the future obligation from the purchase price adjustment of CHF 2.7 million was recognized at its current value. The change in the expected payment to be made leads to an adjustment of goodwill and is recognized against Group equity. No adjustment was necessary as at the balance sheet date.

27 Events after the reporting period

On 28 February 2024, the Board of Directors of RUAG MRO Holding Ltd approved the consolidated financial statements for announcement to the General Meeting. Up to this date, no significant events took place after the balance sheet date. In particular, no events have come to light that would require an adjustment to the carrying amounts of the Group's assets and liabilities or that would need to be disclosed here.

The right to approve the consolidated financial statements rests with the General Meeting.

Due to rounding differences in the individual items, the totals may differ from the actual value.

Income statement 1 January to 31 December

in CHF 1,000

	Notes	2023	2022
Income from investments	2.3	5,443	7,880
Income from services	2.3	14,560	14,581
Total operating profit		20,003	22,461
Personnel expenses	2.4	(83)	(72)
Other operating expenses	2.5	(16,701)	(14,848)
Total operating expenses		(16,784)	(14,920)
Operating result		3,219	7,542
Financial revenue		1,742	940
Financial expenses		(780)	(101)
Annual pre-tax profit		4,181	8,381
Direct taxes		–	(282)
Annual profit		4,181	8,098

Due to rounding differences in the individual items, the totals may differ from the actual value.

Balance sheet as at 31 December

in CHF 1,000

	Notes	2023	2022
Cash and cash equivalents		67,076	30,114
Current financial assets due to investments		696	–
Trade receivables from investments		62	16
Other current receivables		2,271	1,796
Prepaid expenses and accrued income		123	120
Total current assets		70,228	32,046
Non-current financial assets due to investments		33,083	67,105
Investments	2.1	203,039	181,950
Total non-current assets		236,122	249,056
Total assets		306,350	281,102
Current financial liabilities		17,000	–
Trade payables		2,750	35
Current provisions		303	346
Deferred income and accrued expenses		258	295
Total current liabilities		20,311	676
Non-current financial liabilities		3,000	–
Non-current provisions		365	300
Total non-current liabilities		3,365	300
Total liabilities		23,676	976
Share capital	2.2	100	100
Legal retained earnings		50	50
Voluntary retained earnings		266,428	266,429
Profit carried forward		11,915	5,448
Annual profit		4,181	8,098
Total equity capital		282,674	280,126
Total liabilities and equity		306,350	281,102

Due to rounding differences in the individual items, the totals may differ from the actual value.

1 Principles

1.1 General
The main valuation principles applied, which are not prescribed by law, are described below. For this, it is taken into consideration that to safeguard the company's continued prosperity, the option of creating and reversing hidden reserves is exercised.

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, unrealized losses are recognized, while unrealized profits are not (imparity principle).

1.3 Investments
Investments are measured at cost minus the necessary value adjustments. 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 valuation
Current assets and liabilities in foreign currencies are valued using the closing rates on the balance sheet date. Profits or losses are recognized on a "realized" basis. For non-current assets and liabilities, the lowest value principle applies; any unrealized foreign exchange losses are treated as an expense, while unrealized profits are not recognized in the income statement.

1.5 Non-preparation of statement of cash flows and additional details in the notes
RUAG MRO Holding Ltd publishes consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER). Accordingly, RUAG MRO Holding Ltd does not prepare extended notes, a management report or a cash flow statement.

2 Disclosures regarding balance sheet and income statement items

2.1 Investments

Company	Registered office	Country	Capital and voting share 31.12.2023	Capital and voting share 31.12.2022		Capital
RUAG Ltd	Emmen	Switzerland	100.0%	100.0%	CHF	100,000
RUAG Real Estate Ltd	Bern	Switzerland	100.0%	100.0%	CHF	8,000,000
Swiss Innovation Forces Ltd	Thun	Switzerland	100.0%	100.0%	CHF	100,000
RUAG GmbH	Kassel	Germany	100.0%	100.0%	EUR	100,000
RUAG Inc.	Berlin, CT	USA	100.0%	100.0%	USD	1,500
CyOne Security Ltd	Steinhausen	Switzerland	100.0%	0.0%	CHF	100,000
Nitrochemie Wimmis AG	Wimmis	Switzerland	45.0%	45.0%	CHF	25,000,000
Nitrochemie Aschau GmbH	Aschau	Germany	45.0%	45.0%	EUR	7,700,000

2.2 Share capital
The share capital of CHF 100,000 comprises 1,000 registered shares, each with a nominal value of CHF 100.

2.3 Income from investments and services
Income from investments mainly includes dividends from RUAG Real Estate Ltd, Nitrochemie Wimmis AG and Nitrochemie Aschau GmbH.

Due to rounding differences in the individual items, the totals may differ from the actual value.

Notes to the annual financial statements of RUAG MRO Holding Ltd

2.4 Personnel expenses
in CHF 1,000

	2023	2022
Social security benefits	38	31
Other personnel expenses	45	41
Total personnel expenses	83	72

Social security and lump-sum expenses of the Board of Directors are reported under personnel expenses.

2.5 Other operating expenses
in CHF 1,000

	2023	2022
Administration and IT costs	16,287	13,623
Advertising expenses	64	70
Impairment of financial assets	–	700
Other operating expenses	350	455
Total other operating expenses	16,701	14,848

In the previous year, an impairment loss was recognized on a loan to RUAG Inc.

3 Further information

3.1 Full-time positions
RUAG MRO Holding Ltd does not employ any staff.

3.2 For liabilities for third party collateral
in CHF 1,000

	2023	2022
Group guarantees	5,155	3,754
Total contingent liabilities	5,155	3,754

3.3 Events after the reporting period
There are no significant events after the balance sheet date that have an impact on the carrying amounts of the recognized assets or liabilities or that need to be disclosed here.

Due to rounding differences in the individual items, the totals may differ from the actual value.

Proposal by the Board of Directors for the use of provisions of available earnings

in CHF

The Board of Directors proposes the following appropriation of retained earnings to the General Meeting:

	2023	2022
Profit carried forward	11,914,821	5,448,466
Annual profit	4,181,398	8,098,147
Balance sheet profit at the disposal of the General Meeting	16,096,220	13,546,613
Dividend	[3,517,204]	[1,631,791]
Profit carried forward to new account	12,579,015	11,914,822

Due to rounding differences in the individual items, the totals may differ from the actual value.

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