Annual Report 2021

A focus on customers and employees brings success. The turnaround has been achieved in a difficult market context. Basis for the future in the space business has been laid.

Together ahead.

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RUAG International increases operating result from CHF –224 million to CHF 70 million.

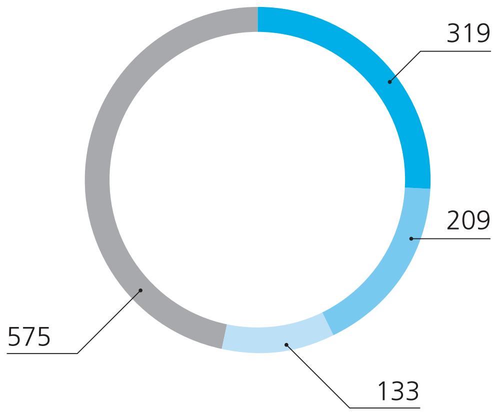
The 2021 financial year

Despite the pandemic, the international technology group RUAG International saw a remarkable turnaround in 2021. For the first time since the start of the unbundling process, the company has posted a positive operating result. Revenue rose to CHF 1,240 million (previous year CHF 1,181 million), while EBIT amounted to CHF 70 million (previous year CHF –224 million). Under the leadership of the new CEO André Wall, the technology group also succeeded in significantly advancing the various transformation and divestment projects. The Space division has been operating under the new brand name Beyond Gravity since mid-March.

Overview of key figures

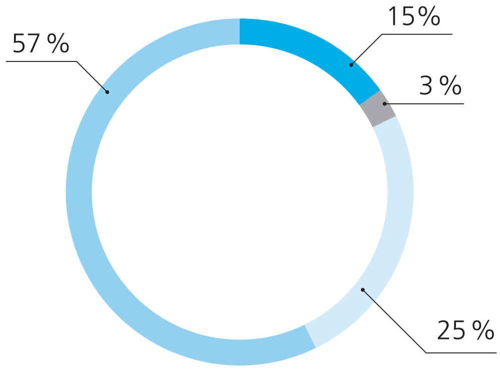
in CHF million	2021	2020	Change in %
Incoming orders	**1 424**	1 214	17.3 %
Order backlog	**1 191**	1 169	1.9 %
Net Sales	**1 240**	1 181	5.0 %
Operating income	**1 277**	1 235	3.4 %
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**116**	(137)	—
Earnings before interest and taxes (EBIT)	**70**	(224)	—
Net profit	**58**	(219)	—
Cash flow from operating activities	**85**	19	350.9 %
Free cash flow	**8**	(55)	—
Net financial position	**106**	102	3.8 %
Research and development expenses	**28**	27	2.6 %
Employees as at 31 December incl. apprentices	**6 145**	6 299	–2.4 %

Net sales 2021 by business segments
in CHF m



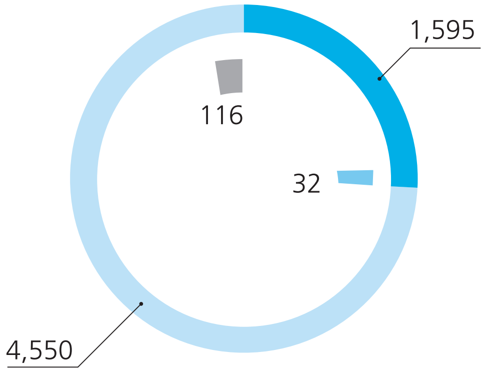
Space · Aerostructures · MRO International · Ammotec

Net sales 2021 by market
in %



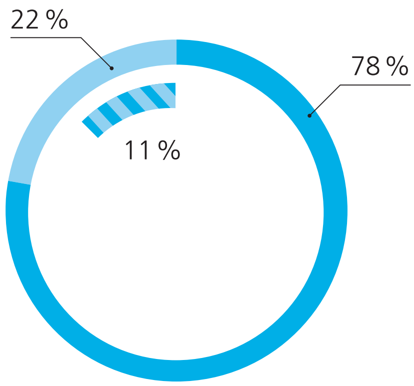
Switzerland · Europe · North America · Asia/Pacific

Headcount in Switzerland and abroad 2021



Employees Switzerland · Apprentices in Switzerland · Employees abroad · Apprentices abroad

Net sales 2021 by application
in %



Civil · Military · DDPS

Turnaround in a difficult environment: all business areas positive

Dear shareholder,
Dear customer,
Dear Sir/Madam,

RUAG International achieved an impressive turnaround in 2021. Despite the continued negative impact of the pandemic on the global economy, all financial figures developed positively. Revenue grew to CHF 1,240 million (previous year CHF 1,181 million). Adjusted for divestment and foreign currency effects, this corresponds to an increase of 9 percent. After a large loss in the previous year (CHF -224 million), EBIT was in positive territory again, reaching CHF 70 million. In addition to significant operational improvements, the operating result also includes a positive contribution of around CHF 17 million from the reversal of restructuring provisions and revaluations of foreign employee benefit obligations. A significant increase was also achieved in order intake, increasing from CHF 1,214 million to CHF 1,424 million. Cash flow from operating activities also progressed positively, increasing by from CHF 19 million to CHF 85 million.

This performance is particularly pleasing because in 2021 not only the Group, but also all the business units individually achieved a positive result – and this despite the ongoing pandemic and sometimes high levels of sick leave. In the previous year, three of the four divisions had to accept a negative financial result. The Board of Directors and the Executive Committee would like to take this opportunity to thank our customers, partners and employees. Without their trust and without the extraordinary team performance of all employees, this outstanding result would not have been possible.

Repositioning and divestments

The repositioning of all activities, initiated in 2020, was key to the success of the turnaround. Management, led by new CEO André Wall, set out to make RUAG International faster and more agile, and to align it more closely with the market and customers. The focus was on precisely aligning each business unit with its customers' strategies and markets. To achieve this, the company reduced the complexity of the organisation, invested in technologies, processes and systems, while at the same time rigorously reviewing expenditure. For its part, management invested a lot of energy in direct customer contacts. Whenever possible, challenges were tackled together with customers. In this way, performance, quality and standards were raised in equal measure and confidence in the future prospects of the individual activities was further strengthened.

This also had a positive effect on divestments. The most important divestment completed in the financial year concerned the aviation activities at MRO International's Oberpfaffenhofen site. They were taken over by General Atomics Europe on 1 March, including all 420 employees.

With the transfer of all shares in RUAG Aviation Malaysia Sdn Bhd to the Malaysian aerospace company Global Systémes Asia, RUAG MRO International was also able to find an advantageous solution for a second area of activity. In 2021, the sales processes for the RUAG Ammotec division and for RUAG MRO International's Simulation & Training business unit were also driven forward. The sale of the last business unit, RUAG Australia, is also taking shape and should be completed in 2022.

Meanwhile, RUAG Aerostructures succeeded in finding a suitable buyer for Machining, which is no longer part of its core business, at the Emmen site. The business, including all machines and employees, was taken over by fitINDUSTRY Emmen AG.

RUAG Ammotec succeeded in eliminating political reservations and defining framework conditions with the owner to enable a successful sale. The contract is expected to be concluded in 2022. For Simulation & Training, exclusive sales negotiations were initiated with the French Thales Group in November. The contract was signed at the end of January 2022 and closing is expected in the first half of 2022.

The repositioning of all activities, the great commitment of the employees as well as the strong orientation towards the customers and markets were decisive for the pleasing annual result.

Performance of the business units

All four RUAG International business units performed successfully in 2021. At RUAG Space, the streamlining of structures undertaken as part of the strategy adopted in the previous year and the consistent focus on customer markets paid off. In the Launchers division, important key contracts were renewed and won. These include dispenser systems for the launch vehicles of a large commercial satellite constellation and the expansion of the strategic partnership with United Launch Alliance (ULA). In 2021, among other things, the first fully US-made payload fairing for an Atlas rocket from ULA was delivered, and progress was also made on developing structures for the upcoming Vulcan launcher family.

In the Satellites division, the order for the "Sunshield Solar Array Subsystem" for the European exoplanet mission PLATO stands out. In addition, the serial production of satellite structures of a constellation and the development of the next generation of powerful onboard computers made progress. The entire Space division also supplied numerous components for the James Webb Space Telescope, which was successfully launched in December.

In 2021, RUAG Aerostructures succeeded in reversing the negative trend of recent years. A key factor in this was an improvement programme devised and implemented together with the customer Airbus. This also helped deal with a rapid increase in production rates after air traffic picked up again from the spring as a result of the COVID vaccination programmes and the relaxation of travel restrictions.

Milestones on the road to the future were the extension of the contract with Airbus and the start of series production of components for the new long-haul aircraft A321XLR. Another positive fact is that the Hungarian production site in Eger has been certified as an independent production site by the relevant local authorities as well as by Airbus. The entire main landing gear bay for the A320 is now supplied directly from Hungary to Airbus.

RUAG Ammotec achieved another strong year of growth in 2021. The company made particularly strong gains in the US hunting and sports market. Norma has now established itself as one of the leading ammunition brands in the US. The government sector saw an increase despite a fall in training activities as a result of the pandemic. By contrast, deliveries to NATO forces and the Swiss Armed Forces declined slightly.

RUAG MRO International's remaining activities enjoyed varying degrees of success. The Simulation & Training business unit achieved important project milestones in two major projects for the French Army. In addition, support contracts for combat training centres were extended with the Swiss Armed Forces. Military aviation, on the other hand, suffered from the long lockdown in Australia.

Organisation and personnel

In organisational terms, RUAG Aerostructures has separated the Airbus business with a high rate of production in Oberpfaffenhofen and Eger from the business with a low rate of production in Emmen for a consistent focus on the respective customer markets. In Emmen, the experienced aviation manager Paul Horstink took over management. The Airbus unit was taken over by Clemens Friedl, who has held various management positions at RUAG Aerostructures since 2015.

As part of the strong market and customer focus, positions have been created at senior management levels as well as specifically for the US market to drive business development as well as the transformation of the company in the coming years.

In addition, RUAG International 2021 has placed emphasis on creating framework conditions to increase diversity within the company. In particular, the proportion of women in management positions is to be sustainably increased and exchange among female managers promoted. This is ensured by special internal programmes such as the Women's Alliance Council.

Outlook

COVID-19 will continue to preoccupy the global economy in 2022. In its customer markets, however, RUAG International expects a positive trend despite the pandemic. RUAG Space's order books are well filled and analysts expect strong growth for the global space market in the coming years. Average annual growth rates of 4 %–6 % are expected. Demand for satellites will increase almost fivefold during this period and the number of rocket launches will double by 2025. Further impetus is likely to come from private providers in particular.

The company also expects additional impetus from the rebranding: RUAG Space is known as Beyond Gravity from mid-March 2022. The new company will focus even more consistently on specific target markets and customer needs and will rely heavily on organic growth.

Another successful financial year can also be expected for RUAG Ammotec. Even though there should be stabilisation at a high level in the US, the positive trend in customer markets should continue overall. Likewise, a successful conclusion to the sales negotiations for the division can be expected in the coming year.

RUAG Aerostructures will have to overcome the challenges of ramping up production rates by its main customer Airbus. Sales are likely to increase accordingly.

MRO International will press ahead with the divestments of the remaining business units in the coming year. The contract for Simulation & Training is expected to be signed in the first half of the year and a sales agreement is also planned for RUAG Australia in the year 2022.

Under the new Beyond Gravity brand, the company became an agile and dynamic partner to the global space industry in mid-March 2022. The other business segments, namely RUAG Aerostructures, RUAG Ammotec and RUAG MRO International, will continue to use the existing brand "Together ahead. RUAG" to the outside world.

We are also confident that we will be able to press ahead with the transformation from a state-owned company into a globally competitive enterprise with a strong customer focus. And we are proud that we can count on over 6,145 committed colleagues to help us achieve this.

RUAG International Holding AG

Dr. Remo Lütolf
President of the Board of Directors

André Wall
CEO

RUAG Space

RUAG Space shows important progress in 2021: both financially and with a functional, global organisation.

Business performance

RUAG Space can look back on a very pleasing financial year. All key figures show a positive trend for RUAG Space. The business segment increased sales from CHF 277 million to CHF 319 million. Earnings before interest and taxes (EBIT) climbed from CHF –21 million to CHF 14 million.

Building on the strategy adopted in 2020, the reporting year saw the organisational adjustment to a functional organisation with a leaner management structure, with more women in the upper management levels and the global bundling of all competencies along six functional units, including the two programme areas 'Launchers' and 'Satellites'.

The Launchers business unit recorded encouraging growth – particularly in the USA. In the year under review, important contracts were secured in connection with payload fairings for launch vehicles and dispensers for new satellite constellations. An agreement was also reached with the key American customer United Launch Alliance (ULA) on the continuation and expansion of the long-standing partnership. For example, in 2021 the US plant supplied the first fairing manufactured entirely in the USA for the American Atlas rocket. Development and qualifications for structures for ULA's successor launch vehicle Vulcan are also progressing very well. RUAG Space further continues to manufacture the payload fairings for the European Ariane launchers.

In the Satellites business unit, the overriding focus was on offering subsystems, such as the contract won for the "Sunshield Solar Array Subsystem" for the European "planet hunt" mission PLATO. The production of serially manufactured structures for satellite constellations (e. g. OneWeb) developed stably and the development of the next generation of more powerful onboard computers for satellites has started. One highlight was the launch of the James Webb Space Telescope on 22 December, which took off into space with numerous RUAG Space products.

Outlook

For the year 2022, a growing space market can be expected, which will receive new impulses from the commercial players in the market, but which will also remain challenging. RUAG Space aims to continue growing organically in both Europe and the USA, in the institutional and commercial sectors. An ever greater challenge is to attract the relevant experts on the job market to the company. With a rebranding planned for March 2022 and a change of name to Beyond Gravity, the company is visibly continuing its internal transformation away from a state-owned company to an agile high-tech space provider.

Short profile

RUAG Space is a leading supplier of space products and has a growing presence in Europe and the USA. The business segment specialises in products for use aboard satellites and launch vehicles.

Locations

Switzerland, Germany, Austria, Sweden, Finland, USA

Numbers and facts

CHF 319 M

Net sales

CHF 14 M

EBIT

1,455

Employees (FTE)

RUAG Aerostructures

Despite the ongoing coronavirus pandemic, RUAG Aerostructures managed to stablise sales and normalise the operating result. Highlight: RUAG International extended its existing contract with Airbus again.

Business performance

RUAG Aerostructures succeeded in stabilising its business performance and significantly increasing its operating result in a turbulent, COVID-ridden financial year. Net sales rose year-on-year from CHF 204 million to CHF 209 million. EBIT rose from CHF –118 million to CHF 5 million.

While the first months of 2021 were still characterised by lockdowns, in the spring the COVID vaccination led to an increase in air traffic – and to more orders for RUAG Aerostructures. Despite the early termination of short-time working at the Oberpfaffenhofen (OP) site, the surge in production rates at the customer Airbus presented the site with challenges, particularly with regard to the supply chain. By means of a Joint Improvement Programme, all issues were addressed together with Airbus and are being continuously remedied. Other important milestones in OP were the extension of the contract with Airbus in December, as well as the transition to series production for the components of the new long-haul jet A321XLR.

The Eger site was granted direct supplier status by Airbus in 2021. This means that, among other things, the entire main landing gear bay (section 15) of the A320 will be delivered directly from Eger to Hamburg. In 2020, the site received EASA-21G approval (European Union Aviation Safety Agency) as an independent manufacturing facility.

Since mid-year, the Airbus business with high-rate production at the Oberpfaffenhofen (Germany) and Eger (Hungary) sites has been under the management of Clemens Friedl. The Swiss aerostructures business with low-rate production for customers Pilatus, Boeing and Saab at the Emmen (Switzerland) site is led by Paul Horstink.

In Emmen, the transformation accelerated further in the second half of the year. An agreement was reached with fitINDUSTRY Emmen AG on the sale of the machining business and further joint collaboration. Partnerships such as those with fitINDUSTRY Emmen AG are also being sought for other business areas at the Emmen site. The contract with Pilatus was extended until 2025 – including additional follow-up orders for structural parts on the PC-12 and PC-21. The site was also pleased to receive 10 new orders for the PC-21 in October.

Outlook

A further rate increase at Airbus is assumed for 2022. In Emmen, the transformation projects will be continued. The new contract with Airbus ensures continuous sales in Eger and Oberpfaffenhofen. Overall, a noticeable increase in sales is expected for 2022.

Short profile

RUAG Aerostructures is a global first-tier supplier of aerostructures for civil and military customers. Its main services are the development, manufacture and final assembly of complete fuselage sections or wing and control components.

Locations

Germany; Switzerland; Hungary

Numbers and facts

CHF 209 M

Net sales

CHF 5 M

EBIT

1,155

Employees (FTE)

RUAG Ammotec

A new record year for RUAG Ammotec. Revenue and EBIT again reach new highs. While presence in the US market grew further, the European markets remained largely stable despite the pandemic.

Business performance

2021 marked another year of strong performance for RUAG Ammotec – driven in particular by the very positive US business. The divisions' net sales rose from CHF 487 million to CHF 575 million. EBIT more than tripled from CHF 24 million to CHF 74 million.

In the Hunting & Sports area, Ammotec recorded moderate growth in the European markets as well as a significant increase in revenue in the USA. This was achieved by focusing on products of the Norma brand, further expanding the sales structures and bundling all business activities in Savannah, Georgia (USA). In a very positive market environment, Ammotec again succeeded in growing significantly faster than the rest of the US market. Norma is now one of the most important ammunition brands on the American market. In Europe, business was stable despite the significant pandemic-related effects. Numerous additions to the range were made across the market – the successful launch of Norma "Whitetail" rifle cartridges for the US market is an example of this. In Germany, Ammotec was also named "Employer of the Year 2022" by Kununu, which is a clear indicator of a motivated and committed workforce.

In the Armed Forces & Law Enforcement area, the market was cautious due to the different restrictions imposed worldwide by the COVID pandemic. Due to the pandemic, indoor firing ranges and other shooting ranges were not open all the time, and training courses tended to be reduced. While it nevertheless proved possible to increase the government business slightly in terms of revenue, deliveries to armed forces from the NATO environment and to the Swiss Armed Forces declined compared to the previous year. Following the production start-up of new army and government ammunition from the Hungarian site in 2021, Ammotec has revived the traditional MFS brand. With these products, Ammotec aims to achieve broader market coverage in the NATO ammunition market.

Outlook

Ammotec expects its positive performance to continue in 2022. Revenue in the US market will remain at a high level, but will weaken somewhat compared to 2021. Growth in the Armed Forces & Law Enforcement area will be determined by the future course of the COVID pandemic, while in the Hunting & Sports area Ammotec expects continued moderate growth in the European market. The announced divestment of Ammotec will be pursued in 2022 and a buyer is expected to sign during the year.

Short profile

RUAG Ammotec is the European market leader for small calibre ammunition, pyrotechnic elements and components with its Hunting & Sports, Armed Forces & Law Enforcement and Industry business units.

Locations

Germany; Switzerland; Hungary; Sweden; Finland; Austria; USA; UK; France; Belgium; Italy; Denmark

Numbers and facts

CHF 575 M
Net sales

CHF 74 M
EBIT

2,774
Employees (FTE)

RUAG MRO International

For MRO International, the year was centred on successful divestments. Despite ongoing constraints due to the COVID pandemic, the business segment generated a robust financial performance.

Business performance

As expected, the business segment, which was characterised by divestments from CHF 179 million to CHF 133 million. EBIT rose from CHF –76 million to CHF 1 million.

As in the previous year, MRO International pursued its goal of gradually divesting all units and finding new owners. In this respect, MRO International had an extremely successful year in 2021: at the end of February, ownership of the business activities in the areas of maintenance work for private aircraft and military aircraft as well as the manufacture and maintenance of the Do228 aircraft was finally transferred to General Atomics Europe (GAE). GAE has also taken over all 420 employees. In mid-June, all shares in RUAG Aviation Malaysia Sdn Bhd were transferred to the Malaysian aerospace company Global Systémes Asia, which is continuing the business locally with the existing employees. In mid-November, RUAG MRO International entered into exclusive negotiations with Thales on the sale of the Simulation & Training business unit (RUAG S&T). The contract was signed at the end of January. Here too, the buyer intends to take on all of the employees, about 500 in number.

The RUAG S&T business unit performed positively in 2021. Major projects for the French Armed Forces such as CERBERE (modernisation of battlefield simulation) and SERKET (development and operation of vehicle cabin simulators) were successfully completed. In addition, an agreement was reached with the Swiss Armed Forces on the extension of the support contract for the operation of the combat training centres GAZ East and West.

International business in the military aviation sector, which is mainly concentrated in Australia, fell short of expectations. The long lockdown in Australia paralysed both the acquisition of new business and the intended divestment of the business unit. Cooperation on the Loyal Wingman project (drone for the Royal Australian Air Force), for which RUAG Australia is supplying the landing gear, was encouraging.

Outlook

After a positive financial year, the main focus in the coming year will continue to be on divestments. The transfer of ownership (closing) in the S & T business unit is expected in the first half of 2022. The sale of the last business unit, RUAG Australia, is also taking shape and should be finalised in 2022. This will complete the Confederation’s mandate to sell the military MRO businesses.

Short profile

RUAG MRO International develops and operates simulation and training facilities for international armed forces. The business segment is also active as a supplier, support provider and integrator of systems for military aviation in Australia.

Locations

Switzerland; Germany; France; Australia; UAE

Numbers and facts

CHF 133 M
Net sales

CHF 1 M
EBIT

636
Employees (FTE)

The dawn of a new era

In March 2022, RUAG Space will be given a new name, Beyond Gravity – but that's not all.

While the Aerostructures, Ammotec or MRO International business segment continue to use the tried and tested name and the claim "Together ahead. RUAG", the Space division is realigning itself. To this end, it will be renamed Beyond Gravity in March 2022.

New name, new face

The new name and the new brand identity are intended to sharpen the focus externally, to position the space company in a meaningful way in the profoundly changing markets and to make the comprehensive range of services even better known to customers. It is not just the name that is changing, but the entire identity including the logo, claim, new website, factsheets, e-mail address, and so on and so forth. RUAG Space will become a new company that combines 100 % mission success covering 40 years with the mentality of a start-up – RUAG Space finally becomes Beyond Gravity.

New organisation, new values, new self-image

But in addition to the external appearance, the organisation and values are also changing. Beyond Gravity is positioning itself even more consistently as a global player in the international space market. Since the end of September, the business segment has been working in a new organisational structure. Specifically: three business units became two, six management levels became four, and women were also successfully encouraged to apply for the new management positions. All functional competencies in sales, engineering and operations were also strengthened through cross-location cooperation.

New strategy

Beyond Gravity will expand its strong presence in the US and European markets and grow into an agile, innovative and leading supplier to the entire space industry. The company aims to excel as a subsystems provider – i.e. large space programmes are approached with a single offering from Beyond Gravity, encompassing numerous products and services. This will make Beyond Gravity an even more competitive space supplier.

New vision and new values

What drives us every day and also makes us proud is our vision to contribute to the progress of humanity and the exploration of the world and beyond. Beyond Gravity products are already being used on Earth observation satellites to monitor and measure global climate trends on Earth. Beyond Gravity products also help in space exploration, in the precise positioning of satellites or in the worldwide transmission of data. We live up to our values every day on this exciting journey: Curious, Passionate, Together.

[1] **Logo**
The Beyond Gravity logo is the combination of the Beyond Gravity word mark and the blue dot, which is deliberately made to appear weightless. The blue dot stands for planet Earth.

[2] **Claim "Realizing what's next."**
Our claim "Realizing what's next" summarises the values and characteristics of the Beyond Gravity brand as well as our products and services. We grow alongside our customers and deliver – precisely, 100 percent reliably and have been doing so for over 40 years.

[3] **Vision and Brand Promise**
Vision, purpose, values and customer promise form the DNA of Beyond Gravity. Our vision shows us the way into the future, the purpose gives our daily activities a deeper meaning. The values define how we treat each other and the customer promise sets out what our business partners can expect from us.

[1]

beyond gravity

Realizing what’s next.

[2]

[3]

Vision statement.

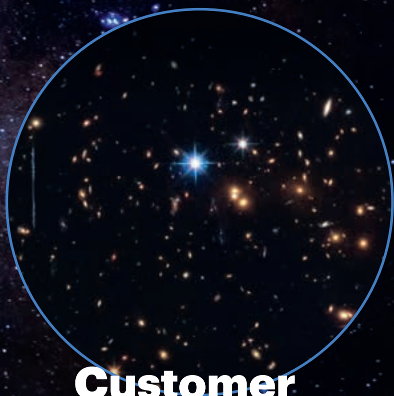
A company that advances humankind and enables the exploration of the world and beyond.

Our purpose.

We push boundaries to reach new horizons.

Our values.

Curious. Passionate. Together.



Customer promise.

You can rely on us. We turn your mission into a success.

03 Financial statements

1,240

Revenue climbed 5.0 % to CHF 1,240 million despite ongoing divestments and the COVID-19 pandemic.

Overview of key figures

in CHF m	2021	2020
Order intake	1 424	1 214
Order backlog	1 191	1 169
Net sales	1 240	1 181
Operating income	1 277	1 235
Cost of materials and purchased services	(438)	(428)
Personnel expenses	(541)	(614)
Other operating expenses, net	(182)	(330)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	116	(137)
EBITDA in % of net sales	9.3 %	(11.6 %)
Earnings before interest and taxes (EBIT)	70	(224)
EBIT in % of net sales	5.7 %	(18.9 %)
Net profit (loss)	58	(219)
Net profit (loss) in % of net sales	4.7 %	(18.5 %)
Cash flow from operating activities	85	19
Cash flow from investing activities	(77)	(74)
Free cash flow	8	(55)
Cash flow from financing activities	(60)	(24)
Equity attributable to the RUAG International shareholder	503	463
Equity in % of total assets	44.9 %	36.9 %
Return on equity [1]	12.1 %	(38.4 %)
Depreciation, amortisation and impairment	45	86
Research and development expenses [2]	28	27
in % of net sales	2.2 %	2.3 %
Net sales per employee (in CHF thousands)	200	182
Added value per employee (in CHF thousands)	126	112
Employees (FTE) as at 31 December incl. apprentices	6 145	6 299
Number of employees (average FTE for year, incl. apprentices)	6 206	6 476
Number of registered shares (par value CHF 1000)	340 000	340 000
Earnings (loss) per registered share	171.57	(643.34)
Paid dividend per registered share [3]	0.88	5.59
Distribution ratio	0.5 %	—
Book value per registered share in CHF	1 478	1 361

[1] Net profit (loss) as a percentage of average equity. For the calculation in the previous year, the unbundling effect was taken into account in equity as at 31 December 2019.
[2] Includes self-financed research and development expenses incurred during the reporting year at the company's own risk and recognised as an expense.
[3] Expected dividend 2021 as proposed by the Board of Directors: CHF 0.3 million.

Five-year overview[1]

in CHF m	2021	2020	2019	2018	2017
Order intake	1 424	1 214	1 893	2 221	1 961
Order backlog	1 191	1 169	1 634	1 794	1 607
Net sales	1 240	1 181	2 003	1 998	1 955
Earnings before interest and taxes (EBIT)	70	(224)	(7)	106	119
EBIT in % of net sales	5.7 %	(18.9 %)	(0.4 %)	5.3 %	6.1 %
Net profit (loss)	58	(219)	(25)	74	89
Net profit (loss) in % of net sales	4.7 %	(18.5 %)	(1.2 %)	3.7 %	4.6 %
Cash flow from operating activities	85	19	133	176	88
Cash flow from investing activities	(77)	(74)	3	(83)	(146)
Free cash flow	8	(55)	135	94	(59)
Cash flow from financing activities	(60)	(24)	(109)	(88)	23
Equity attributable to the RUAG International shareholder	503	463	1 028	1 022	1 007
Equity in % of total assets	44.9 %	36.9 %	55.1 %	51.2 %	51.3 %
Return on equity[2]	12.1 %	(38.4 %)	(2.4 %)	7.3 %	8.9 %
Research and development expenses[3]	28	27	42	46	53
in % of net sales	2.2 %	2.3 %	2.1 %	2.3 %	2.7 %
Employees (FTE) as at 31 December incl. apprentices	6 145	6 299	9 091	9 127	9 189
Number of employees (average FTE for year, incl. apprentices)	6 206	6 476	9 157	9 159	9 083

[1] As of the end of April 2020, the business activities of RUAG MRO Switzerland were transferred to RUAG MRO Holding Ltd under the umbrella of BGRB Holding Ltd with retroactive effect as of 1 January 2020 due to the unbundling of RUAG. As a result, the MRO Switzerland business segment formed a separate sister group from 1 January 2020 and will no longer be included in the consolidated financial statements of RUAG International Holding Ltd. The comparative periods 2017-2019 were not restated.

[2] Net profit (loss) as a percentage of average equity. For the calculation in reporting year 2020, the unbundling effect was taken into account in equity as of 31 December 2019.

[3] Includes self-financed research and development expenses incurred during the reporting year at the company's own risk and recognised as an expense.

Consolidated income statement 1 January to 31 December

in CHF m	Note	2021	2020
Net sales	6	1 240	1 181
Own work capitalised		6	11
Changes in inventories and work in progress		31	42
Operating income		1 277	1 235
Cost of materials and purchased services		(438)	(428)
Personnel expenses	7	(541)	(614)
Other operating expenses, net	8	(182)	(330)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		116	(137)
Depreciation and impairment of property, plant and equipment/investment property	17, 18	(41)	(77)
Amortisation and impairment of intangible assets	19	(4)	(10)
Earnings before interest and taxes (EBIT)		70	(224)
Financial income	10	1	2
Financial expenses	10	(4)	(6)
Share in income of associates	20	—	—
Net Profit/loss before tax		68	(228)
Income taxes	11	(9)	9
Net profit (loss)		58	(219)
Net profit (loss) attributable to:			
Shareholders of RUAG International Holding Ltd		57	(218)
Non-controlling interests		2	(0)
Net profit (loss)		58	(219)

The notes to the consolidated financial statements on pages 24 to 60 form an integral part of the consolidated financial statements.

Consolidated balance sheet as at 31 December

in CHF m	Note	2021	2020
Cash and cash equivalents	12	106	158
Current financial assets	13	4	11
Trade receivables	14	117	156
Prepayments to suppliers	14	6	5
Other current receivables	14	14	17
Tax assets		9	10
Prepaid expenses and accrued income		13	17
Inventories and work in progress	15, 16	501	505
Current assets		770	879
Property, plant and equipment	17	307	331
Investment property	18	—	—
Intangible assets	19	11	12
Associates	20	—	—
Non-current financial assets	13	1	1
Deferred tax assets	11	29	31
Non-current assets		349	375
Total assets		1 119	1 253
Current financial liabilities	21	5	60
Trade accounts payable	22	56	86
Prepayments from customers	22	179	184
Other current liabilities	23	24	27
Tax liabilities		6	6
Deferred income and accrued expenses	25	137	130
Current provisions	26	70	146
Current liabilities		476	637
Non-current financial liabilities	21	0	1
Other non-current financial liabilities	24	1	1
Employee benefit obligations	27	81	92
Non-current provisions	26	39	40
Deferred tax liabilities	11	19	21
Non-current liabilities		141	155
Share capital	28	340	340
Capital reserves		10	10
Retained earnings		299	244
Offsetting of goodwill		(85)	(85)
Other reserves		(9)	(3)
Foreign currency translation adjustments		(53)	(43)
Equity attributable to the RUAG International shareholder		503	463
Equity attributable to non-controlling interests		—	(1)
Total equity		503	461
Total liabilities and equity		1 119	1 253

The notes to the consolidated financial statements on pages 24 to 60 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows, 1 January to 31 December

in CHF m	Note	2021	2020
Net profit (loss)		58	(219)
Depreciation, amortisation and impairment	17, 18, 19	45	86
Change in non-current provisions and deferred taxes		(4)	19
Use of non-current provisions		(4)	(3)
Share in income of associates	20	—	—
Other non-cash changes		6	(1)
Change in net working capital[1]		(19)	132
(Gain)/loss on disposal of non-current assets incl. investments		(1)	0
Financial income	10	(1)	(2)
Financial expenses	10	3	6
Cash flow from operating activities[2]		85	19
Capital expenditures for plant and equipment	17	(27)	(52)
Capital expenditures for property incl. investment properties	17, 18	(9)	(11)
Capital expenditures for intangible assets	19	(4)	(12)
Acquisition of subsidiaries less cash and cash equivalents acquired	4	—	—
Disposal of plant and equipment		1	0
Disposal of property incl. investment properties		5	0
Disposal of intangible assets		0	0
Disposal of investments less cash and cash equivalents disposed of	4	(42)	—
Dividends received from associates	20	—	—
Cash flow from investing activities		(77)	(74)
Free cash flow		8	(55)
Increase/decrease in financial activities		1	(1)
Increase/decrease in current financial liabilities		—	59
Repayment of current financial liabilities		(56)	—
Financial income received		1	2
Financial expenses paid		(3)	(6)
Dividends paid to shareholders		(2)	—
Dividends paid to non-controlling interests		—	—
Unbundling	4	—	(77)
Cash flow from financing activities		(60)	(24)
Change in cash and cash equivalents before foreign currency translation adjustments		(52)	(79)
Cash and cash equivalents at beginning of period		158	237
Foreign currency translation adjustments in respect of cash and cash equivalents		(1)	(0)
Cash and cash equivalents at end of period		106	158

[1] Excludes current financial assets, current financial liabilities and other non-current liabilities.
[3] Including income taxes of CHF 10 million paid in the year under review (previous year: CHF 6 million).

The notes to the consolidated financial statements on pages 24 to 60 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

in CHF m	Share capital	Capital reserves	Retained earnings	Offsetting of goodwill	Other reserves	Foreign currency translation adjustments	Attributable to the RUAG International shareholder	Attributable to non-controlling interests	Total equity
Balance as at 1 January 2020	340	10	816	(85)	(7)	(45)	1 028	2	1 030
Net loss	—	—	(353)	0	—	1	(351)	(3)	(354)
Goodwill offset against equity	—	—	(218)	—	—	—	(218)	(0)	(219)
Recognised in profit or loss due to disposal	—	—	—	—	—	—	—	—	—
Change in fair value of cash flow hedges	—	—	—	—	3	—	3	—	3
Gains and losses from cash flow hedges transferred to profit or loss	—	—	—	—	(0)	—	(0)	—	(0)
Foreign currency translation adjustments of foreign subsidiaries	—	—	—	—	—	1	1	0	1
Dividends paid	—	—	—	—	—	—	—	—	—
Balance as at 31 December 2020	340	10	244	(85)	(3)	(43)	463	(1)	461
Balance as at 1 January 2021	340	10	244	(85)	(3)	(43)	463	(1)	461
Net profit	—	—	57	—	—	—	57	2	58
Goodwill offset against equity	—	—	—	—	—	—	—	—	—
Recognised in profit or loss due to disposal[1]	—	—	—	—	—	(3)	(3)	(0)	(3)
Change in fair value of cash flow hedges and losses	—	—	—	—	(5)	—	(5)	—	(5)
Gains and losses from cash flow hedges transferred to profit or loss	—	—	—	—	(0)	—	(0)	—	(0)
Foreign currency translation adjustments of foreign subsidiaries	—	—	—	—	—	(7)	(7)	(0)	(7)
Dividends paid	—	—	(2)	—	—	—	(2)	—	(2)
Balance as at 31 December 2021	340	10	299	(85)	(9)	(53)	503	—	503

[1] The cumulative translation differences as well as minority interests were derecognised from equity and form part of the gain on disposal.

In the year under review, CHF 1.9 million (previous year: CHF 0 million) was distributed as a dividend to the shareholder of RUAG International Holding Ltd. This corresponds to a dividend per share of CHF 5.59 (previous year: CHF 0).

The notes to the consolidated financial statements on pages pages 24 to 60 form an integral part of the consolidated financial statements.

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

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

RUAG International Holding Ltd is a Swiss joint-stock company headquartered in Bern and wholly owned by BGRB Holding Ltd. This in turn is wholly owned by the Swiss Confederation. RUAG International Holding Ltd and its subsidiary companies (hereinafter referred to as "RUAG International") focus on the international aerospace and defence businesses with goods and services in the military and civil sectors. RUAG International is bound by the owner's strategy of the Swiss Federal Council.

Relationship with the Swiss Confederation

Through BGRB Holding Ltd, the Swiss Confederation is the sole shareholder of RUAG International Holding Ltd. Under the terms of the Federal Act on State-Owned Defence Companies, any disposal of the capital or voting majority of the Swiss Confederation to third parties requires the approval of the Federal Assembly. As sole shareholder, the Confederation exercises control over all decisions taken at the General Meeting, including the election and remuneration of members of the Board of Directors and dividend resolutions. Details of transactions with the Swiss Confederation are given in Note 33.

2 Summary of significant accounting policies

2.1 Basis of preparation

RUAG International's consolidated financial statements have been prepared in accordance with the guidelines of the Swiss Accounting and Reporting Recommendations (Swiss GAAP FER). Certain provisions of Swiss GAAP FER 31 "Additional recommendations for listed companies" have also been applied. These provisions contain recommendations regarding income tax, financial liabilities and segment reporting. Furthermore, the provisions of Swiss company law have been fulfilled. The reporting period covers twelve months and corresponds to the calendar year.

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

Current assets include assets that
- are realised within 12 months after the balance sheet date, or are sold, consumed or realised 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
- for which a cash outflow is probable within the scope of operational activities, or
- that are held for trading purposes.

All other liabilities are non-current liabilities.

The income statement is prepared using the total cost method.

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

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

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

2.2 Explanation of key figures not defined in Swiss GAAP FER

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

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

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

2.3 Principles and scope of consolidation

RUAG International's annual consolidated financial statements include subsidiaries where RUAG International Holding Ltd is effectively able to control the financial and operating policies. For control to exist, the investor must have 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 International 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 associates are consolidated with effect from the date of their acquisition, and eliminated from the consolidated financial statements in the event of a loss of control. Changes to investments in subsidiary companies are recognised as equity transactions insofar as these subsidiary companies were previously controlled and continue to be controlled. All intra-Group receivables, liabilities, expenses and income, as well as unrealised intercompany profits, are fully eliminated on consolidation.

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

Associates where RUAG International exerts a significant influence (normally 20–50 % of the voting rights held directly or indirectly), but which the Group does not control, are recognised using the equity method. An equity investment is initially recorded 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 International does not exercise significant influence (less than 20 % of the voting rights held directly or indirectly) are stated at historical cost less any valuation allowances and shown under "Non-current financial assets".

An overview of all significant subsidiaries, associates and non-controlling interests is provided in Note 37.

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

2.4 Foreign currency translation

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

Transactions in foreign currencies are translated into the functional currency of the Group companies at the exchange rate at the transaction date. At the end of the reporting period, foreign-currency receivables and liabilities (monetary items) are translated at the exchange rate at the end of the reporting period, while non-monetary items measured at fair value or cost in a foreign currency are translated into the functional currency at the rate at the date of the fair value measurement or the rate at the transaction date. The resulting exchange differences are recognised in profit or loss, with the exception of exchange differences arising from effective cash flow hedges or net investments in foreign subsidiaries, which are recognised directly in equity.

The assets and liabilities of subsidiaries and associates recognised using the equity method whose functional currency is not the Swiss franc are translated into Swiss francs on consolidation at the exchange rate applicable at the end of the reporting period. The income statement, cash flow statements and other fluctuating items are translated at the average exchange rate for the reporting period. Exchange differences arising from the conversion of the annual statements of subsidiaries or affiliates are recognised directly in consolidated equity and reported separately as cumulative foreign currency translation adjustments. In the event of disposal (to the extent that this leads to loss of control or significant influence) of a foreign subsidiary or associate, the cumulative foreign currency translation adjustments previously recognised in equity are transferred to the income statement as a component of the gain or loss on disposals.

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

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

Exchange rates

Currency		Unit	Annual average 2021	End-of-year rate 2021	Annual average 2020	End-of-year rate 2020	Annual average 2019	End-of-year rate 2019
Euro	EUR	1	1.08	1.03	1.07	1.08	1.11	1.09
Swedish krona	SEK	100	10.66	10.08	10.21	10.76	10.52	10.39
US dollar	USD	1	0.91	0.91	0.94	0.88	0.99	0.97
Hungarian forint	HUF	100	0.30	0.28	0.31	0.30	0.34	0.33

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

2.6 Current 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.

2.7 Receivables and prepayments
Trade receivables and prepayments are recognised at amortised cost less valuation allowances for doubtful receivables. The valuation allowances are estimated on the basis of an analysis of the actual exposure to losses from receivables outstanding at the end of the reporting period. The valuation allowances comprise specific valuation allowances for specifically identified items where there is objective evidence that the outstanding amount will not be received in full, and global valuation allowances. The global valuation allowances are based on historical experience. Receivables and prepayments judged to be non-recoverable are charged to profit or loss as "Other operating expenses".

2.8 Inventories and work in progress
Inventories and work in progress are measured at the lower of cost and net realisable value. Cost comprises all costs of purchase and conversion, including pro rata production overheads. All foreseeable exposures to loss from work in progress are accounted for by recognising 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. Impairment losses are reported for hard-to-sell or slow-moving inventories. Non-saleable inventories are written off in full.

Long-term construction and service contracts are measured according to the percentage of completion method. When the conditions are satisfied, work in progress and sales are recognised by reference to the stage of completion. Long-term construction contracts are defined as manufacturing or service orders where completion of the order extends over a longer period, calculated from the time the order is awarded to the time it is essentially completed.

The stage of completion is derived from the relationship between the costs incurred by the order and the overall estimated cost of the order (cost-to-cost method). Losses from long-term construction and service contracts are recognised immediately and in full in the financial year in which the losses are identified, irrespective of the stage of completion. Order costs and pro rata profits from long-term construction and service contracts which are measured using the percentage of completion method are shown as work in progress (percentage of completion) as a component of inventories and work in progress. They are stated at cost plus a pro rata profit that corresponds to the stage of completion achieved.

In the Space business segment, the milestone method is applied to a large extent. Here, project milestones are defined on the basis of individual customer contracts; upon reaching these milestones, services performed are invoiced to the customer and sales and income are realised on a pro rata basis.

If the outcome of long-term construction and service contracts cannot be estimated reliably, sales are only recognised to the extent of contract costs incurred that are likely to be recoverable (recoverable cost method). Contract costs are recognised when incurred unless they give rise to an asset that is linked to future activity on the contract. Any expected loss on a contract is expensed immediately.
Semi-finished products and services in progress are stated under "Inventories and work in progress".

Sales from services provided are recognised in the income statement on the basis of the stage of completion at the end of the reporting period.

2.9 Property, plant and equipment
Property, plant and equipment are recognised at cost less accumulated depreciation and impairment. Repair and maintenance costs are stated as an expense. Major renovations and other value-enhancing costs are capitalised and depreciated over their estimated useful life. The carrying amount of replaced parts is derecognised. Items are depreciated on a straight-line basis, with the exception of land, which is not depreciated and is recognised at cost. Expected additional costs in connection with the disposal of pollutants during demolition are capitalized as fixed assets and depreciated over the expected period of clean-up. Depreciation is charged over the expected period of dismantling of the buildings.

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

Class	Useful life in years
Plant and equipment	5 to 12
Fixtures and fittings	10
Information technology	3 to 5
Motor vehicles	5 to 10
Aircraft	10 to 15
Buildings (operating properties)	20 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 Government grants
Government grants related to assets are recognised in the balance sheet at fair value as deferred income. Government grants are then recognised in profit or loss as other income on a straight-line basis over the useful life of the assets.

2.11 Leases
Leased assets where the benefits and risk arising from ownership are essentially transferred to RUAG International are recognised at the lower of the fair value/market value of the leased asset and the cash value of the future lease payments. Correspondingly, the estimated net present value of future, non-cancellable lease payments is carried

under liabilities from finance leases. Assets under finance leases are amortised on a straight-line basis over the shorter of their estimated useful life or the duration of the lease. All other lease transactions are classified as operating leases.

2.12 Investment property
Investment properties are measured at cost minus accumulated depreciation and impairment calculated on a straight-line basis. Repair and maintenance costs are stated as an expense. Major renovations and other value-enhancing costs are capitalised 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 recognised at cost.

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

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

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

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

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

Business combinations are accounted for using the acquisition method. The cost is recognised at the fair value of the consideration at the transaction date. Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised in the balance sheet at their acquisition-date fair value, irrespective of the extent of any non-controlling interest. Transaction costs are recognised as expenses in profit or loss. The acquisition costs exceeding the net assets recognised at fair value (goodwill) are offset against equity at the time of acquisition. If the purchase price contains elements that depend on future events, these are estimated and recognised as accurately as possible at the time of acquisition. If, when the purchase price is definitively calculated at a later date, there are any differences, the effect is recognised in the income statement under "Other operating expenses, net". The impact of the goodwill being theoretically capitalised (acquisition cost, residual value, useful life, amortisation) and any potential impairment are shown in the notes. Any negative difference is recognised directly in profit or loss after being reviewed. In the event of a company being sold, the goodwill previously recorded under equity will be booked out and then recognised in the income statement as a component of the gain or loss on disposals.

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

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

2.16 Financial liabilities
Financial liabilities are initially recognised at fair value less direct transaction costs and subsequently measured at amortised cost using the effective interest method.

2.17 Trade accounts payable and prepayments
Trade accounts payable are recognised at amortised cost. Prepayments are measured at amortised cost using the effective interest method.

2.18 Deferred income and accrued expenses
Deferred income and accrued expenses contain expenses incurred during the reporting period for which supplier invoices are yet to be received, as well as income and bonuses received in advance that relate to future periods.

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

Provisions are discounted if the effect of discounting is material.

Provisions for restructuring Costs arising in connection with restructurings are treated as an expense when management has decided on a programme from which a constructive liability has arisen and the amount of this liability can be estimated reliably. The costs of redundancy plans are treated as an expense at the time of the management's decision, provided that a probable liability has arisen and the amount of this liability can be estimated reliably.

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 recognised based on the sales revenue to which warranty obligations relate and the goods and services provided in the past.

Provisions for leave and overtime credits Employees' entitlements to leave and overtime credits are calculated at the end of the reporting period and accounted for on an accrual basis.

Other provisions Other provisions include, among others, restoration obligations arising in connection with expected additional costs for the disposal of pollutants.

2.20 Employee benefit obligations

In accordance with the corresponding national provisions, RUAG International offers pension plans for its employees. These are primarily institutions and foundations that are financially independent from the Group. They are usually 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) and the applicable country-specific methods (foreign plans).

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

- to use the excess 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 recognised if the conditions for creating a provision are met under Swiss GAAP FER 23. This is recognised under employee benefit obligations.

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

2.21 Other long-term employee benefits

Other long-term employee benefits include long-service awards. These are calculated using the projected unit credit method and are reported in the item "Provisions for loyalty bonuses and anniversary benefits".

2.22 Current and deferred income taxes

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

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

Deferred taxes are recognised for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax base. Deferred taxes are not recognised for:

- temporary differences when recognising 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 realised or settled. In this regard, tax rates apply that are applicable or are announced as at the balance-sheet-date. Deferred taxes are included in non-current assets (deferred tax assets) or non-current liabilities (deferred tax liabilities) and are offset if certain conditions are met. Deferred tax assets for unused tax losses and deductible temporary differences are recognised 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.

2.23 Equity

Share capital The share capital is the nominal capital comprising all registered shares that have been issued.

Capital reserves This item consists of the capital paid in over and above the par value (less transaction costs) as well as any grants or contributions from shareholders in their capacity as shareholders.

Retained earnings Retained earnings primarily include the subsidiaries' accumulated earnings that were not distributed to shareholders. The appropriation of available earnings is subject to local legal restrictions.

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

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

Foreign currency translation adjustments This item consists of the difference that arises when assets, liabilities, income and expenses of subsidiaries whose functional currency is not the Swiss franc are translated into Swiss francs.

2.24 Net sales

Net sales include the fair value of the consideration received from the sale of goods and the rendering of services by RUAG International in its ordinary business operations. The amount is shown after any deductions for value added tax, price reductions, rebates and discounts and intra-Group sales. RUAG International records its sales when the amounts can be measured reliably, future cash flows are likely and the specific criteria described below have been fulfilled.

Long-term contracts Net sales for the period comprise "invoiced sales" plus "change in contracts under the percentage of completion method". "Invoiced sales" comprise accrued or invoiced amounts for goods and services already provided in the period, while "change in contracts under the percentage of completion method" includes the goods and services already provided under current construction and service contracts and measured using the percentage of completion method.

Sale of goods Sales from the sale of goods are stated at the time of delivery or performance, i.e. when the relevant significant risks and rewards of ownership are transferred to the buyer.

Rendering of services Sales from the rendering of services are determined on the basis of either time and material or a fixed price contract.

Sales from fixed price agreements are measured using the percentage of completion method when both the full costs incurred up to completion of the order and the stage of completion at the end of the reporting period can be reliably determined. The stage of completion is derived from the relationship between contract costs incurred and the total estimated cost of the order (cost-to-cost method) or using the milestone method (Space business segment). If the proceeds of a construction contract cannot be reliably measured, sales are recognised only to the extent of the potentially recoverable costs incurred by the contract recognised as an expense in the relevant period. Contributions from third parties arising from contract development work are recognised as sales and assigned to the period in which the corresponding development costs are incurred.

Other income Other income, such as rental income and interest income, is stated on a time-proportionate basis. Dividend income is recognised once legal entitlement to payment has arisen.

Advance payments received Advance payments received are deferred and then recognised as sales when the corresponding services are provided.

2.25 Segment information

Reportable operating segments are determined on the basis of the management approach. External segment reporting is then carried out in accordance with RUAG's organisational and management structure as well as internal financial reporting to RUAG International's Chief Operating Decision Maker, the CEO. Reporting is broken down according to the "Space", "Aerostructures", "MRO International" and "Ammotec" business segments. In addition, the reporting includes the area "Other segments", which comprises central services such as real estate management (location Zürich Seebach), IT and RUAG International's corporate units.

Unrealised gains or losses may be incurred as a result of services or disposal of assets between the individual segments. These are eliminated and stated in the segment information in the "Elimination" column.

Net assets comprise trade receivables, advance payments to suppliers, other current receivables, tax receivables, prepaid expenses, inventories and work in progress, property, plant and equipment, investment property and intangible assets less trade payables, advance payments from customers, other current liabilities, tax liabilities, deferred income and current and non-current provisions. The assets of the segments contain all the assets required for operations that can be assigned to a specific operating segment. The assets of the segments primarily comprise receivables, inventories, property, plant and equipment and intangible assets. The investments of the segments contain additions to property, plant and equipment and other intangible assets.

Space business segment With a broad international customer base, RUAG Space is the leading supplier of products for the space industry in Europe and has a growing presence in the United States as well. With 11 production sites in six countries, the business segment specialises in high-performance components for use aboard satellites and other spacecraft such as launch vehicles. The division's expertise is divided into three product groups: electronics for all space applications (Electronics product group), mechanical and thermal products for satellites and structures (Spacecraft product group), and payload fairings and separation systems for launch vehicles (Launchers product group). These product groups represent the most important sources of earnings.

Aerostructures business segment RUAG Aerostructures is a globally active tier 1 supplier manufacturing aircraft for civil and military customers. Key activities include the development, production and final assembly of complete fuselage sections, wing and control surface components as well as sophisticated component assemblies and parts for civil and military aircraft. The segment also provides services in the field of surface treatment. One of the division's strengths is the management of complex supply chain networks. Among other things, it is responsible for the complete global fuselage section supply chains for Airbus. The main sources of earnings are the sale of aerostructures and of complex assemblies and components.

MRO International business segment RUAG MRO International develops and operates simulation and training facilities for international armed forces. The business segment is also active as a supplier, support provider and integrator of systems for military aviation in Australia. The main sources of earnings are maintenance and life extension services as well as the sale of systems and subsystems.

Ammotec business segment With its Armed Forces & Law Enforcement, Hunting & Sports and Industry business units, RUAG Ammotec is the European market leader in small-calibre ammunition, pyrotechnic elements and components. Its precision ammunition for special forces is in high demand worldwide. The business segment is also the leader in heavy-metal-free primer technologies as used in actuator cartridges in the construction industry and automotive safety system applications. The product range also includes large-calibre training systems, hand grenades and environmentally safe disposal of pyrotechnic products. The main sources of earnings are the sale of ammunition as well as the components business for industrial purposes.

2.26 Related party transactions

RUAG International produces defence equipment in the field of ammunition for the Swiss Federal Department of Defence, Civil Protection and Sport (DDPS). The procurement contracts awarded by the DDPS for defence 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. In the reporting period, services were purchased from the sister group RUAG MRO Holding Ltd, for example in the form of renting business premises, and services were provided on a smaller scale to the sister group and the parent company BGRB Holding Ltd.

2.27 Derivative financial and hedging instruments

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

When concluding a hedge transaction, the Group documents the relationship between hedging instruments and hedged items, as well as the purpose and strategy of the hedge. The process also involves linking all hedging derivatives with specific assets and liabilities, or firm commitments and forecasted transactions. At inception as well as during the life of the hedge, the Group documents the extent to which the derivatives used for the hedge offset the change in fair value of the hedged item. When a contract is concluded, a derivative instrument is defined as

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

Changes in the fair value of foreign exchange hedging instruments that are used to hedge the cash flows from a forecasted transaction or firm commitment and that offer an effective hedge are recognised as cash flow hedges. These instruments are measured at fair value; the effective portion of the change in fair value of the foreign exchange hedging instrument is recognised in equity and separately disclosed under "Other reserves". The ineffective portion is recognised in profit or loss in the income statement under "Other operating expenses". Upon occurrence of the underlying transaction, the relevant hedging instrument is reclassified from equity to the income statement. Commodity price hedging instruments are recognised at their positive or negative replacement value as at the balance sheet date and are disclosed in the notes.

Currently, RUAG International has only hedges on cash flows from forecasted transactions or firm commitments (cash flow hedge).

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

The preparation of the consolidated financial statements depends on assumptions and estimates associated with the accounting policies where there is a certain amount of scope for the use of management judgement. The application of accounting policies in the consolidated financial statements requires certain forward-looking estimates and assumptions to be made that may have a significant effect on the reported amounts of assets, liabilities, income and expenses and the related disclosures. The estimates and assumptions used in recognition and measurement are based on historical experience and other factors that are believed to be reasonable under the circumstances. The following items involve significant estimates and assumptions:

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

Long-term construction and service contracts and manufacturing agreements Estimates with a significant effect are used as the basis for the measurement of long-term construction and service contracts using the percentage of completion method. Although the estimates, such as the projects’ stage of completion and estimated contract costs, are made to the best of management’s knowledge about current events and possible future measures, actual outcomes may ultimately differ from these estimates. Please also refer to the explanations in Note 16 “Percentage of completion” and Note 26 “Provisions”.

Property, plant and equipment and intangible assets Property, plant and equipment and intangible assets are reviewed annually for indications of impairment. If there are indications that these assets are overvalued, an estimate is made of the future cash flows expected to result from the utilisation of these assets or their possible disposal. Actual cash flows may differ from the discounted future cash flows based on these estimates. Factors such as changes in the planned use of property, plant and equipment, site closures, technical obsolescence or lower-than-forecasted sales of products, the rights to which have been recognised, may shorten the estimated useful life or result in impairment. The carrying values of property, plant and equipment and intangible assets are disclosed in Note 17 “Property, plant and equipment”, Note 18 “Investment properties” and Note 19 “Intangible assets”.

Provisions As part of their ordinary business operations, Group companies are exposed to various risks. These are continuously assessed and provisions are set aside accordingly in light of the available information on the basis of the cash flows that can realistically be expected. For example, provisions for warranties are determined on the basis of empirical values and provisions for litigation by means of a legal assessment. The carrying values of such provisions are disclosed in Note 26 “Provisions”.

Deferred income taxes Deferred tax assets are recognised based on management’s judgement. Deferred tax assets are only recognised for tax loss carryforwards if it is probable that they can be used. Their use depends on the ability to generate future taxable profits that can be offset against existing loss carryforwards. An assessment as to the probability of their future use requires estimates of various factors such as future earnings. If actual amounts differ from the estimates, this may result in a change in the assessment of the deferred tax assets’ recoverability. The carrying values of current and deferred tax assets and liabilities are disclosed in the consolidated balance sheet and Note 11 “Income taxes”.

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

Newly established companies On 27 May 2021, Beyond Gravity Ltd was founded with its registered office in Emmen (Switzerland). The objective of this company is to secure the company name “Beyond Gravity” in view of the planned rebranding of the Space business segment in spring 2022.

On 20 August 2021, RUAG Ammotec Denmark ApS was founded with its registered office in Randers (Denmark). The aim of this company is to increase RUAG Ammotec’s business potential in Denmark. The activities of the newly established company did not have any material impact on the consolidated financial statements of RUAG International in the reporting year.

On 5 August 2020, RUAG Advanced Systems Inc. was founded with headquarters in Huntsville (Alabama, USA). The aim of this company is to participate in space programmes, particularly those of the US Department of Defense, and thus to increase RUAG Space’s business potential in the USA. The activities of the newly established company had no material impact on the consolidated financial statements of RUAG International in either the reporting year or the previous year.

Acquisitions No acquisitions were made in the reporting year or in the previous year.

Disposals of subsidiaries and business units and unbundling

RUAG Aerospace Services GmbH On 28 February 2021, RUAG Aerospace Services GmbH was sold to General Atomics Europe GmbH. In the reporting year, up to the time of sale, RUAG Aerospace Services GmbH generated revenue of CHF 11.9 million and a negative EBIT of CHF 2.9 million.

RUAG Aviation Malaysia Sdn Bhd On 14 June 2021, RUAG Aviation Malaysia Sdn Bhd was sold to Global Systémes Asia Sdn Bhd. In the reporting year, up to the time of sale, RUAG Aviation Malaysia Sdn Bhd generated revenue of CHF 0.4 million and a negative EBIT of CHF 0.1 million.

RUAG Switzerland Ltd, Machining business unit On 30 September 2021, the Machining business unit of RUAG Switzerland Ltd was sold to fitINDUSTRY Emmen AG as part of an asset deal. This business unit did not generate any significant third-party revenues or contributions to earnings in the reporting year up to the time of the sale.

Unbundling of the RUAG Group As of the end of April 2020, the business activities of RUAG MRO Switzerland were transferred to RUAG MRO Holding Ltd under the umbrella of BGRB Holding Ltd with retroactive effect as of 1 January 2020 due to the unbundling of RUAG. As a result, the MRO Switzerland business unit formed a separate sister group from 1 January 2020 and will no longer be included in the consolidated financial statements of RUAG International Holding Ltd.

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

Net sales and EBIT of discontinued operations

in CHF m

	2021	2020
Net sales	12	—
EBIT	(3)	—

Disposals of assets and liabilities associated with sales made in the reporting year and the unbundling carried out in the previous year, along with the associated cash outflows, are summarised in the following table:

Spun-off/Sold assets and liabilities

in CHF m

	2021	2020
Current assets	162	266
Non-current assets	9	285
Current and non-current liabilities [1]	(156)	(196)
Total spun-off/sold assets and liabilities	15	354

Net cash outflow

in CHF m

	2021	2020
Considerations paid in cash	44	—
Take-over of financial liabilities	—	—
Spun-off/sold cash and cash equivalents	(85)	(77)
Net cash outflow	(42)	(77)

5 Segment information

in CHF m

	2021 Space	2020 Space	2021 Aerostructures	2020 Aerostructures	2021 MRO International	2020 MRO International
Order intake – third parties	442	301	241	185	150	206
Order backlog – third parties	675	548	225	187	147	286
Net sales with third parties	318	276	207	202	131	173
Net sales with other segments	0	1	1	2	2	6
Total net sales	319	277	209	204	133	179
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	26	(9)	6	(74)	4	(71)
Depreciation, amortisation and impairment	(12)	(12)	(1)	(44)	(4)	(5)
Earnings before interest and taxes (EBIT)	14	(21)	5	(118)	1	(76)
Net financial result						
Share in income of associates						
Profit/loss before tax						
Income taxes						
Net profit (loss)						
Net operating assets by region	89	98	5	5	9	98
Net operating assets Switzerland	(5)	8	8	3	(18)	(3)
Net operating assets Rest of Europe	21	24	(3)	1	15	84
Net operating assets Rest of world	73	66	—	—	12	18
Property, plant and equipment and intangible assets (incl. investment properties)	64	70	0	0	20	32
Property, plant and equipment and intangible assets Switzerland (incl. investment properties)	26	28	—	—	3	4
Property, plant and equipment and intangible assets Rest of Europe	15	17	0	0	6	13
Property, plant and equipment and intangible assets Rest of world	23	25	—	—	11	16
Capital expenditures for property, plant and equipment and intangible assets (incl. investment properties)	(5)	(12)	(1)	(9)	(3)	(3)
Disposal of property, plant and equipment and intangible assets (incl. investment properties)	0	0	0	0	5	0

Products and services of the individual business segment are described in Note 2.25, "Segment information".

Information on sales and customers is provided in Note 6 "Net sales".

2021 Ammotec	2020 Ammotec	2021 Other segments	2020 Other segments	2021 Total Segments	2020 Total Segments	2021 Eliminations	2020 Eliminations	2021 Group total	2020 Group total
589	521	1	1	1 424	1 214	—	—	1 424	1 214
143	148	—	—	1 191	1 169	—	—	1 191	1 169
575	487	3	1	1 234	1 139			1 234	1 139
0	0	43	85	47	93	(42)	(51)	6	42
575	487	46	86	1 281	1 232	(42)	(51)	1 240	1 181
99	44	(20)	(27)	116	(137)	—	—	116	(137)
(24)	(20)	(4)	(5)	(45)	(86)	—	—	(45)	(86)
74	24	(24)	(32)	70	(224)	—	—	70	(224)
								(3)	(4)
		—	—	—	—			—	—
								68	(228)
								(9)	9
								58	(219)
336	313	30	(80)	469	434	—	—	469	434
48	48	40	36	73	92	2	(2)	71	94
258	253	(10)	(116)	281	246	(2)	2	283	243
30	12	(0)	(0)	115	96	(0)	(0)	115	96
186	188	49	51	319	342	—	—	319	342
40	36	49	51	118	120	—	—	118	120
142	150	—	0	163	181	—	—	163	181
4	2	—	—	37	42	—	—	37	42
(29)	(51)	(2)	(0)	(40)	(75)	—	—	(40)	(75)
0	0	0	0	5	0	—	—	5	0

6 Net sales

in CHF m	2021	2020
Invoiced sales	1 240	1 207
Change in contracts under the percentage of completion (PoC) method	(0)	(26)
Total net sales	1 240	1 181

Analysis of invoiced sales

DDPS	131	153
Third parties	1 109	1 054
Invoiced sales by customer group	1 240	1 207

Aside from the DDPS and Airbus, RUAG International has no other customer relationships that account for more than 10 % of net sales. Net sales from transactions with DDPS are mainly generated by Ammotec, while those with Airbus are mainly generated by Aerostructures.

Defence	276	339
Civil	964	869
Invoiced sales by type of use	1 240	1 207

Switzerland	182	229
Rest of Europe	707	747
Middle East	5	4
North America	307	179
South America	1	3
Asia/Pacific	39	45
Africa	1	1
Invoiced sales by region	1 240	1 207

Invoiced sales in "rest of Europe" primarily concern Germany, France, Sweden, Great Britain, Austria and Italy.

7 Personnel expenses

in CHF m	2021	2020
Salaries and wages	(407)	(436)
Expense of benefit plans	(18)	(33)
Other social security expenses	(62)	(74)
Contract personnel	(43)	(57)
Other personnel expenses	(10)	(15)
Total personnel expenses	(541)	(614)

Personnel costs in the reporting year decreased compared to the previous year, primarily due to the transformation and the direct effects of the COVID-19 pandemic in the aviation sector. In addition to the reduction of personnel costs as a result of the divestment of RUAG Aerospace Services GmbH (MRO International), personnel reduction measures at the sites in Switzerland (Emmen, Aerostructures), Germany (Oberpfaffenhofen, Aerostructures) and Hungary (Eger, Aerostructures) led to significant cost reductions. The revaluation of the foreign pension plans, mainly at Ammotec (Germany and Sweden) and Space (Sweden), led to a reduction of around CHF 8 million (previous year: additional cost of CHF 7 million), as a result of the higher discount rates which are reported under pension expenses.

8 Other operating expenses, net

in CHF m	2021	2020
Premises costs	(34)	(42)
Maintenance and repairs of property, plant and equipment	(46)	(44)
Cost of energy and waste disposal	(13)	(15)
Insurance and duties	(5)	(6)
Administration and IT costs	(61)	(77)
Advertising costs	(14)	(10)
Other operating expenses	(39)	(157)
Other operating income	29	20
Total other operating expenses, net	(182)	(330)

"Other operating expenses, net" is significantly below the previous year's level. The decrease in the item "Other operating expenses" is mainly due to the provisions made in the previous year in connection with the sale of business activities in the MRO International business segment at the Oberpfaffenhofen site (Germany), the increase in provisions for anticipated contract losses and the recognition of restructuring provisions. The most significant changes in provisions in the reporting year are explained in Note 26 "Provisions".

"Premises costs" were below the previous year's level. The focus on cost reduction and optimisation of rented space and the transfer of ownership of the operations of RUAG Aerospace Services GmbH in Oberpfaffenhofen (Germany) as at 28 February 2021 resulted in a decrease of around CHF 8 million compared to the previous year. In addition, a one-off payment from RUAG Real Estate in the amount of CHF 0.7 million (rent waiver due to the global spread of the COVID-19 pandemic) led to a further reduction in this item.

"Administrative and IT costs" were also below the previous year's level. The focus on optimisation and the outsourcing of IT services led to a reduction in IT expenses. Furthermore, due to the ongoing transformation of the RUAG International Group into a global space group, special expenses continued to be incurred in the reporting year in connection with consultancy services, which, among other things, were also reflected in the the item "Administrative and IT costs".

Due to RUAG International's strategic realignment, the group decided to halt further development of the "Together ahead. RUAG" brand and the distribution of advertising material in the reporting year. Due to the somewhat more relaxed COVID-19 restrictions in the second and third quarters of 2021, travel increased again and on-site customer appointments were held. These effects led to an increase in advertising expenditure of around CHF 4 million compared to the previous year.

Various adjustments and reassessments of provisions are shown under "Other operating expenses". This item also includes exchange rate losses of CHF 4 million net (previous year CHF 7 million). These are essentially the cumulative effects of forward exchange contracts entered into to hedge transactions in connection with operational business activities (hedging of future sales and purchases of goods and services in the respective currencies).

The increase in the item "Other operating income" is mainly due to the release of ordinary provisions.

9 Research and development expenses

in CHF m	2021	2020
Total research and development expenses	28	27

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

10 Financial income/financial expenses

in CHF m	2021	2020
Interest income	1	2
Total financial income	1	2
Interest expense	(4)	(6)
Total financial expenses	(4)	(6)

11 Income taxes

in CHF m	2021	2020
Current income tax expense of the reporting period	(12)	(5)
Adjustments to current income taxes from prior periods	2	(1)
Current income tax expense	(10)	(6)
Origination (reversal) of temporary differences	(1)	19
Effect of tax rate changes	1	1
Recognition (value adjustment) of tax losses	2	(4)
Use of recognised tax loss carryforwards	(0)	(0)
Deferred tax income	1	15
Income tax expense/income in profit or loss	(9)	9

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

in CHF m	2021 Before tax	2021 Tax (expense)/ income	2021 Net (after tax)	2020 Before tax	2020 Tax (expense)/ income	2020 Net (after tax)
Change in fair value of cash flow hedges	(7)	2	(5)	5	(2)	3
Gains and losses from cash flow hedges transferred to profit and loss	(1)	0	(0)	(0)	0	(0)
Foreign currency translation adjustments of foreign subsidiaries	(10)	—	(10)	1	—	1
Changes in equity	(17)	2	(15)	6	(2)	4

Analysis of income tax expense

The following table shows the reconciliation of expected to effective income tax expense. The applicable income tax rate for the purposes of the following analysis is the average income tax rate of the Group companies weighted by profit or loss; it is 30.0 % (previous year: 24.3 %).

in CHF m	2021	2020
Profit/loss before tax	68	(228)
Expected weighted tax rate in %	30.0 %	24.3 %
Expected income tax expense/income	(20)	56
Reconciliation of effective income tax expense/income		
Effect of (valuation allowances)/recognising of tax loss carryforwards from prior years	2	(5)
Effect of using unrecognised tax loss carryforwards from prior years	7	0
Effect of current losses for which tax loss carryforwards are not recognised	(4)	(32)
Effect of non-deductible expenses	(2)	(15)
Effect of tax-free income	1	2
Effect of income taxed at lower rates	0	—
Effect of tax rate changes	1	1
Effect of tax losses (credits) from prior periods	2	(1)
Other effects (including effect of share in profit or loss of associates)	3	4
Reported income tax expense/income	(9)	9
Effective income tax rate	13.6 %	(4.1 %)

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

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities break down as follows:

in CHF m	2021 Deferred tax assets	2021 Deferred tax liabilities	2020 Deferred tax assets	2020 Deferred tax liabilities
Assets				
Receivables and prepayments	1	1	2	1
Inventories and work in progress	7	6	5	8
Property, plant and equipment and investment property	0	11	0	12
Intangible assets	0	1	0	0
Tax loss carryforwards	4	—	4	—
Employee benefit assets	—	—	—	—
Other asset items	1	1	1	2
Liabilities				
Deferred income and accrued expenses	2	0	7	0
Current and non-current provisions	8	1	8	3
Employee benefit obligations	14	—	16	—
Other liability items	2	10	0	9
Deferred taxes before offsetting	40	30	45	35
Offsetting of deferred tax assets and liabilities	(11)	(11)	(13)	(13)
Total deferred taxes	29	19	31	21

Deferred tax assets and liabilities changed as follows:

in CHF m	2021	2020
Total deferred taxes at 1 January	10	(14)
Unbundling	—	11
Changes recognised in profit or loss	1	15
Changes in equity with no impact on profit or loss	2	(2)
Changes in the scope of consolidation	(2)	—
Foreign currency translation adjustments	(1)	(0)
Total deferred taxes at 31 December	10	10
of which deferred tax assets	29	31
of which deferred tax liabilities	(19)	(21)

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

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

The tax loss carryforwards are due to expire as follows:

in CHF m	2021	2020
Expiring within 1 year	1	1
Expiring in 1 to 2 years	4	1
Expiring in 2 to 3 years	3	5
Expiring in 3 to 4 years	4	4
Expiring in 4 to 5 years	2	6
Expiring in 5 to 6 years	1	2
Expiring in 6 to 7 years	192	4
Expiring in more than 7 years	200	449
Total tax loss carryforwards	408	470

Potential tax effect of tax loss carryforwards	62	73
therein recognised as deferred tax assets	4	4
therein not recognised	57	69

The decrease in tax loss carryforwards in the reporting year is mainly due to the use of unrecognised tax loss carryforwards in the Ammotec business unit in Germany and the USA as a result of the very high demand for civil ammunition. Also in Switzerland, unrecognised tax loss carryforwards were consumed due to dividend distributions from subsidiaries of RUAG International Holding Ltd.

12 Cash and cash equivalents

in CHF m	2021	2020
Cash on hand	0	0
Demand deposits with financial institutions	106	158
Money market investments	0	0
Total cash and cash equivalents	106	158

Currencies of cash and cash equivalents

in CHF m	2021	2020
CHF	41	27
EUR	30	47
USD	21	58
SEK	8	20
GBP	2	3
Other	5	5
Total cash and cash equivalents	106	158

13 Financial assets

Current financial assets

in CHF m	2021	2020
Derivative financial instruments	4	9
Other current liabilities	—	1
Total current financial assets	4	11

Current financial assets primarily include the positive replacement values of the open foreign currency hedging transactions (see also the information on financial instruments in Note 35, “Risk management process, financial risk management and capital management”).

Non-current financial assets

in CHF m	2021	2020
Money market investments	0	0
Other non-current financial assets	0	1
Total non-current financial assets	1	1

Currencies of current and non-current financial assets

in CHF m	2021	2020
CHF	—	2
EUR	2	2
USD	2	8
SEK	0	1
GBP	—	0
Other	0	0
Total financial assets	4	12

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

14 Trade receivables, other current receivables and prepayments

in CHF m	2021	2020
Trade receivables	120	159
Trade receivables and receivables from associates	—	—
Valuation allowances	(3)	(3)
Total trade receivables	117	156
Prepayments to suppliers	6	5
Prepayments to associates	—	—
Total prepayments to suppliers	6	5
Current receivables from government bodies	8	9
Other current receivables	6	7
Total other current receivables	14	17
Total trade receivables, other current receivables and prepayments	137	178

Maturity profile of trade receivables, other current receivables and prepayments

in CHF m	2021	2020
Not past due	92	107
Past due 1–30 days	22	34
Past due 31–60 days	8	10
Past due 61–90 days	7	0
Past due 91–180 days	4	3
Past due over 180 days	4	24
Total trade receivables, other current receivables and prepayments	137	178

Currencies of trade receivables, other current receivables and prepayments

in CHF m	2021	2020
CHF	17	38
EUR	63	99
USD	48	33
SEK	3	5
GBP	1	1
Other	6	3
Total trade receivables, other current receivables and prepayments	137	178

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

The allowance for receivables changed as follows:

Valuation allowances for doubtful receivables

in CHF m	2021	2020
Balance at 1 January	(3)	(5)
Unbundling	—	2
Disposals from the scope of consolidation	1	—
Increase in allowance	(2)	(2)
Utilisation of allowance	2	1
Reversal of allowance	0	1
Currency differences	0	0
Carrying amount at 31 December	(3)	(3)

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

15 Inventories and work in progress

in CHF m	2021	2020
Raw materials and supplies	191	233
Work in progress at cost of conversion	141	148
Work in progress (percentage of completion)[1]	68	78
Semi-finished goods	57	53
Finished goods	103	119
Valuation allowances	(60)	(126)
Total inventories and work in progress	501	505

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

In the reporting period, a total of CHF 380 million (previous year: CHF 359 million) in raw materials and supplies, semi-finished and finished goods, and work in progress was charged to cost of materials.

The reassessment of orders in the Aerostructures business segment as a result of the COVID-19 pandemic led to extensive write-downs of inventories and work in progress at the sites in Switzerland, Germany and Hungary in the previous year.

Inventories and work in progress also had to be written down in the reporting year, with an effect on income of CHF 8 million (previous year: CHF 11 million).

In the reporting year, no significant reversals of valuation adjustments on inventories related to prior periods were recognised.

Write-downs and reversals of inventory write-downs are recorded as cost of materials.

16 Percentage of Completion (PoC)

in CHF m	2021	2020
Cumulative results at the end of the reporting period		
Aggregated contract sales at the end of the reporting period	1 466	1 435
Aggregated contract costs at the end of the reporting period	(1 065)	(1 027)
Realised margin at the end of the reporting period	401	408
Cumulative carrying amounts of ongoing projects at the end of the reporting period		
Gross amount due from customers for contract work	68	78
Gross amount due to customers for contract work	(62)	(62)
Net position	6	16
Advances received from customers relating to PoC contracts	22	12

The above table shows the aggregated sales and costs – on a cumulative basis across several periods – for the long-term construction and service contracts not yet concluded at the end of the reporting period. Projects concluded as at the end of the reporting period are not included here. The "Gross amount due from customers for contract work" relates to long-term construction and service contracts for which the realisable order sales exceed the sales already invoiced. Long-term construction and service contracts for which the sales already invoiced exceed the realisable order sales are recognised under "Gross amount due to customers for contract work" (see Note 25 "Deferred income and accrued expenses"). In the year under review, sales totalling CHF 369 million (previous year: CHF 297 million) were recognised from long-term construction and service contracts.

As at the balance sheet date, RUAG International had received advances for ongoing contract work that had not yet been invoiced totalling CHF 22 million (previous year: CHF 12 million). These advances are recognised under "Advances received from customers".

17 Property, plant and equipment

in CHF m	Plant and equipment	Other[1]	Land[2]	Buildings	Assets under construction	Property, plant and equipment
At cost						
As at 1 January 2020	625	264	71	504	52	1 517
Business combination	—	—	—	—	—	—
Unbundling	(118)	(72)	(43)	(392)	(4)	(629)
Additions	22	10	(0)	6	22	60
Disposals	(17)	(14)	—	(0)	—	(31)
Reclassifications	28	5	—	7	(40)	0
Foreign currency translation adjustments	(3)	(1)	0	(1)	(1)	(6)
As at 31 December 2020	537	192	29	125	29	912
Accumulated depreciation and impairment losses						
As at 1 January 2020	422	196	0	380	0	997
Business combination	—	—	—	—	—	—
Unbundling	(92)	(57)	—	(313)	—	(462)
Depreciation	24	15	0	5	—	44
Impairment	26	6	—	1	0	33[3]
Disposals	(16)	(13)	—	(0)	—	(30)
Reclassifications	0	(0)	—	(0)	(0)	(0)
Foreign currency translation adjustments	(0)	(0)	0	(0)	(0)	(1)
As at 31 December 2020	364	145	0	72	0	581
At cost						
As at 1 January 2021	537	192	29	125	29	912
Business combination	—	—	—	—	—	—
Eliminations from the scope of consolidation	(36)	(23)	—	(3)	(0)	(62)[4]
Additions	21	7	—	2	7	36
Disposals	(11)	(9)	(3)	(1)	(0)	(24)
Reclassifications	16	5	—	1	(23)	—
Foreign currency translation adjustments	(13)	(3)	(0)	(2)	(0)	(18)
As at 31 December 2021	514	170	26	122	12	844
Accumulated depreciation and impairment losses						
As at 1 January 2021	364	145	0	72	0	581
Business combination	—	—	—	—	—	—
Eliminations from the scope of consolidation	(35)	(17)	—	(3)	—	(55)[4]
Depreciation	24	13	0	4	—	41
Impairment	0	0	—	—	0	1[5]
Disposals	(11)	(8)	—	(1)	—	(20)
Reclassifications	0	0	—	—	(0)	—
Foreign currency translation adjustments	(8)	(3)	(0)	(1)	(0)	(11)
As at 31 December 2021	334	129	0	73	0	536
Net carrying amounts						
As at 1 January 2020	203	69	71	125	51	520
As at 31 December 2020	173	47	29	53	28	331
As at 31 December 2021	180	41	25	49	12	307

1 Fixtures and fittings, information technology, motor vehicles and aircraft.
2 As at 31 December 2020, the book value of undeveloped land amounted to CHF 2.2 million (previous year: CHF 2.3 million).
3 The changed market situation in the aerospace industry in connection with the COVID-19 pandemic led to impairments of assets (property, plant and equipment and intangible assets) in the Aerostructures business segment in the amount of CHF 39 million in the previous year.
4 The divestments of RUAG Aerospace Services GmbH (MRO International), RUAG Aviation Malaysia Sdn Bhd (MRO International) and the machining business unit of Aerostructures Emmen led to disposals in the scope of consolidation.
5 The continuing tense market situation in the aerospace industry led to further impairments of property, plant and equipment In the Aerostructures business segment over the reporting year.

The total amount of property, plant and equipment pledged as collateral is listed in Note 32 "Assets pledged as collateral".

18 Investment properties

in CHF m	2021	2020
At cost		
As at 1 January	—	356
Business combination	—	—
Unbundling	—	(356)
Eliminations from the scope of consolidation	—	—
Additions	—	—
Disposals	—	—
Reclassifications	—	—
Foreign currency translation adjustments	—	—
As at 31 December	—	—
Accumulated depreciation and impairment losses		
As at 1 January	—	278
Business combination	—	—
Unbundling	—	(278)
Eliminations from the scope of consolidation	—	—
Depreciation	—	—
Disposals	—	—
Write-downs	—	—
Reclassifications	—	—
Foreign currency translation adjustments	—	—
As at 31 December	—	—
Net carrying amounts		
As at 1 January	—	79
As at 31 December	—	—

As part of the unbundling of the RUAG Group the previous year, RUAG Real Estate Ltd was assigned to its sister group RUAG MRO Holding Ltd. As a result, all investment properties were also transferred to RUAG MRO Holding Ltd.

19 Intangible assets

in CHF m	Patents and developments	Trademarks and prototypes	Licences and rights	Order backlog and customer lists/relationships	ERP systems	Intangible assets in progress	Intangible Assets
At cost							
As at 1 January 2020	2	10	29	142	6	2	191
Business combination	—	—	—	—	—	—	—
Unbundling	(0)	—	(4)	(23)	—	—	(27)
Additions	—	—	1	—	0	11	12
Disposals	—	—	(0)	—	—	—	(0)
Reclassifications	—	—	—	—	—	—	—
Foreign currency translation adjustments	(0)	(0)	(0)	0	(0)	0	0
As at 31 December 2020	2	10	25	119	6	13	176
Accumulated depreciation and impairment losses							
As at 1 January 2020	2	9	25	141	3	0	181
Business combination	—	—	—	—	—	—	—
Unbundling	(0)	—	(4)	(23)	—	—	(27)
Depreciation	—	0	1	0	1	0	2
Impairment	—	—	0	—	—	7	7 [1]
Disposals	—	—	(0)	—	—	—	(0)
Reclassifications	—	—	0	—	(0)	—	—
Foreign currency translation adjustments	(0)	(0)	(0)	0	(0)	0	0
As at 31 December 2020	2	9	22	119	4	7	164
At cost							
As at 1 January 2021	2	10	25	119	6	13	176
Business combination	—	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	(14)	—	—	—	(14) [2]
Additions	—	—	1	—	2	1	4 [3]
Disposals	—	—	(0)	—	—	—	(0)
Reclassifications	—	—	—	—	6	(6)	—
Foreign currency translation adjustments	(0)	(0)	(0)	(2)	(1)	(0)	(3)
As at 31 December 2021	2	10	11	118	14	8	163
Accumulated amortisation and impairment losses							
As at 1 January 2021	2	9	22	119	4	7	164
Business combination	—	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	(14)	—	—	—	(14) [2]
Depreciation	—	0	1	0	3	—	4
Impairment	—	—	—	—	—	0	0
Disposals	—	—	(0)	—	—	—	(0)
Reclassifications	—	—	—	—	—	—	—
Foreign currency translation adjustments	(0)	(0)	(0)	(2)	(0)	(0)	(3)
As at 31 December 2021	2	9	9	118	6	7	151
Net carrying amounts							
As at 1 January 2020	0	1	4	0	3	2	10
As at 31 December 2020	0	1	3	0	2	6	12
As at 31 December 2021	0	0	2	0	8	0	11

[1] The changed market situation in the aerospace industry in connection with COVID-19 led to impairments of assets (property, plant and equipment and intangible assets) in the Aerostructures business unit in the amount of CHF 39 million.
[2] The divestment of RUAG Aerospace Services GmbH led to the disposals in the scope of consolidation.
[3] The additions are mainly due to the introduction of the new ERP system SAP S4/HANA in the RUAG Ammotec division.

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

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

Theoretical movement schedule for goodwill

in CHF m

	Space	Aerostructures	MRO International	Ammotec	MRO Switzerland	Total
At cost						
As at 1 January 2020	61	—	8	12	0	81
Business combination	—	—	—	—	—	—
Unbundling	—	—	—	—	(0)	(0)
Adjustments	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	—	—	—	—
Foreign currency translation adjustments	0	—	(0)	(0)	—	0
As at 31 December 2020	61	—	8	12	—	80
Accumulated amortisation						
As at 1 January 2020	60	—	8	12	0	80
Theoretical ordinary amortisation	0	—	—	0	—	0
Unbundling	—	—	—	—	(0)	(0)
Eliminations from the scope of consolidation	—	—	—	—	—	—
Foreign currency translation adjustments	0	—	(0)	(0)	—	0
As at 31 December 2020	61	—	8	12	—	80
At cost						
As at 1 January 2021	61	—	8	12	—	80
Business combination	—	—	—	—	—	—
Adjustments	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	—	—	—	—	—
Foreign currency translation adjustments	(0)	—	(0)	(0)	—	(1)
As at 31 December 2021	61	—	7	12	—	80
Accumulated amortisation						
As at 1 January 2021	61	—	8	12	—	80
Theoretical ordinary amortisation	0	—	—	0	—	0
Eliminations from the scope of consolidation	—	—	—	—	—	—
Foreign currency translation adjustments	(0)	—	(0)	(0)	—	(1)
As at 31 December 2021	61	—	7	12	—	79
Theoretical net book value						
As at 1 January 2020	0	—	—	0	—	1
As at 31 December 2020	0	—	—	0	—	0
As at 31 December 2021	0	—	—	0	—	0

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

Impact on consolidated income statement

in CHF m	2021	2020
Earnings before interest and taxes (EBIT)	70	(224)
Theoretical amortisation of goodwill	(0)	(0)
Theoretical EBIT incl. amortisation of goodwill	70	(224)
Net profit (loss)	58	(219)
Theoretical amortisation of goodwill	(0)	(0)
Theoretical net profit (loss) incl. amortisation of goodwill	58	(219)

Impact on consolidated balance sheet

in CHF m	2021	2020
Equity according to the balance sheet	503	461
Theoretical capitalisation of net book value of goodwill	0	0
Theoretical equity incl. net book value of goodwill	503	462

20 Associates

in CHF m	2021	2020
Carrying amount of interests in associates as at 1 January	—	38
Business combination	—	—
Unbundling	—	(38)
Eliminations from the scope of consolidation	—	—
Share in profit/loss of associates from continued operations	—	—
Dividends	—	—
Foreign currency translation adjustments	—	—
Carrying amount of interests in associates as at 31 December	—	—

In the course of the RUAG Group’s unbundling in the previous year, all associates were assigned to the sister group RUAG MRO Holding Ltd.

21 Financial liabilities

Current financial liabilities

in CHF m	Note	2021	2020
Due to financial institutions		—	58
Financial liabilities towards third parties[1]		5	1
Liabilities to associates		—	—
Financial liabilities to employee benefit funds		—	—
Lease liabilities	31	—	—
Current portion of non-current financial liabilities		—	—
Total current financial liabilities		5	60

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

On 10 December 2021, RUAG International signed a committed syndicated loan agreement with a consortium of banks as part of the establishment of an independent financing solution. As a result, current liabilities to financial institutions contain covenants relating to compliance with a minimum liquidity at Group level and a minimum equity ratio.

As at 31 December 2021, all relevant financial covenants were complied with.

Non-current financial liabilities

in CHF m	Note	2021	2020
Due to financial institutions		—	—
Financial liabilities towards third parties		0	1
Lease liabilities	31	—	0
Loans secured by property		—	—
Bond issues		—	—
Liabilities to associates		—	—
Total non-current financial liabilities		0	1

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

Maturity structure of current and non-current financial liabilities

in CHF m	2021	2020
Up to 1 year	5	60
Up to 2 years	0	1
Up to 3 years	—	—
Up to 4 years	—	—
Over 4 years	—	—
Total financial liabilities	5	60

Currencies of financial liabilities

in CHF m	2021	2020
CHF	0	0
EUR	1	43
USD	3	16
SEK	0	0
GBP	0	0
Other	0	1
Total financial liabilities	5	60

22 Trade accounts payable and prepayments

in CHF m	2021	2020
Trade accounts payable	56	86
Trade accounts payable to associates	—	—
Total trade accounts payable	56	86
Prepayments from customers	179	184
Prepayments from associates	—	—
Total prepayments from customers	179	184
Total trade accounts payable and prepayments	234	270

Currencies of trade accounts payable and prepayments

in CHF m	2021	2020
CHF	70	54
EUR	74	148
USD	84	61
SEK	4	4
GBP	0	0
Other	3	2
Total trade accounts payable and prepayments	234	270

23 Other current liabilities

in CHF m	2021	2020
Due to third parties	13	15
Due to associates	—	—
Due to government bodies	11	11
Due to shareholders	—	—
Due to employee benefit funds	—	—
Total other current liabilities	24	27

24 Other non-current financial liabilities

in CHF m	2021	2020
Due to third parties	1	1
Due to associates	—	—
Due to shareholders	—	—
Due to employee benefit funds	—	—
Total other non-current liabilities	1	1

25 Deferred income and accrued expenses

in CHF m	2021	2020
Deferred income and accrued expenses for PoC orders	62	62
Income relating to future periods	6	7
Outstanding trade accounts payable	40	37
Personnel-related accrued expenses	14	10
Other deferred income and accrued expenses	15	14
Total deferred income and accrued expenses	137	130

26 Provisions

in CHF m

	Restructuring	Contract losses	Warranties	Holiday and overtime	Loyalty bonuses and anniversary benefits	Other	Total
Balance at 1 January 2020	6	20	11	29	15	27	108
Business combination	—	—	—	—	—	—	—
Unbundling	—	(8)	(4)	(7)	(7)	(9)	(34)
Eliminations from the scope of consolidation	—	—	—	—	—	—	—
Additions	18	37	4	13	1	69	142
Release of unused provisions	(1)	(0)	(2)	(1)	(0)	(1)	(5)
Use of provisions	(1)	(4)	(1)	(14)	(1)	(4)	(26)
Reclassifications	—	0	0	0	0	(0)	—
Foreign currency translation adjustments	0	0	(0)	0	(0)	0	1
Balance at 31 December 2020	21	45	8	21	9	82	186
Current provisions	21	24	8	21	1	71	146
Non-current provisions	0	20	0	—	8	11	40
Balance at 1 January 2021	21	45	8	21	9	82	186
Business combination	—	—	—	—	—	—	—
Eliminations from the scope of consolidation	—	(6)	(1)	(2)	(1)	(3)	(12)
Additions	0	5	4	16	0	18	43
Release of unused provisions	(9)	(1)	(1)	(0)	(0)	(5)	(16)
Use of provisions	(4)	(12)	(2)	(15)	(1)	(54)	(88)
Reclassifications	(3)	—	—	—	—	3	—
Foreign currency translation adjustments	(0)	(1)	(0)	(1)	(0)	(1)	(4)
Balance at 31 December 2021	5	30	8	18	7	41	109
Current provisions	4	10	8	18	1	28	70
Non-current provisions	0	19	0	—	7	13	39

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

Provisions for restructuring The restructuring of the Space business segment, which started in late 2020, is currently being implemented and will be completed in 2022. Due to the changed business outlook and the improved order situation compared to the previous year, provisions of CHF 6 million were released to the income statement.

As a consequence of the unbundling of RUAG, accelerated by the COVID-19 pandemic, the global support functions were adjusted to the new size of RUAG International. In 2020, a corresponding restructuring programme primarily concerning the central support functions was launched. Most of this programme was completed in the year under review. Around CHF 1 million of the restructuring costs of CHF 4 million set aside for this was used and the remaining amount was largely released.

Provisions for contract losses In the Aerostructures Emmen business unit (Switzerland), a further provision for anticipated losses on orders in the amount of CHF 1 million was recognised in the reporting year. In addition, further adjustments to provisions were made for order-related losses in the course of ordinary business amounting to CHF 4 million.

Other provisions In the reporting year, additional provisions of around CHF 4 million were made for newly opened proceedings and pending legal cases. In addition, new provisions of CHF 14 million were made group-wide for unfavourable contracts, delivery delays and other identified risks in connection with ordinary business activities.

The provisions created in the previous year of around CHF 50 million in connection with the sale of the aeronautics activities in the MRO International business segment at the Oberpfaffenhofen (Germany) site were used in the reporting year and form part of the result from the sale.

In the previous year, provisions for dismantling obligations in the amount of CHF 4 million were made in connection with the transition of Aerostructures Emmen and were reported as restructuring provisions. In the reporting year, the unused provisions for dismantling obligations in the amount of CHF 3 million were reclassified to other provisions.

27 Employee benefit obligations

The RUAG International Group maintains various pension plans for employees. The main employee benefit plans are in Switzerland, Germany and Sweden, the plan in Switzerland being administered by a legally autonomous organisation.

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

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Employee benefit plan in Germany There are pension commitments in Germany with respect to active and retired employees which cover old age, loss of income and survivors' pensions. Benefits are essentially divided into a basic pension scheme, which – except for a few transitional arrangements – was managed by the Dynamit Nobel VVaG pension fund until 31 March 2016 and since 1 April 2016 has been managed as a defined benefit scheme of RUAG Ammotec GmbH, and a supplementary pension scheme which is run directly via RUAG Ammotec GmbH as a defined benefit scheme. The basic pension is determined by salary components up to the contribution assessment ceiling in the statutory pension insurance scheme. The supplementary pension is made up of salary-dependent contributions for remuneration components above the contribution assessment ceiling.

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

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

In addition to the pension obligations, the Group provides other long-term employee benefits comprising loyalty bonuses and anniversary benefits (see Note 26, "Provisions").

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

in CHF m	Surplus/ deficit in accordance with FER 26	2021 Group's economic share	2020 Group's economic share	Foreign currency translation adjustments	Year-on-year changes/ expenses for reporting period	Contributions accrued for the period	2021 Expense of benefit plans in personnel expenses	2020 Expense of benefit plans in personnel expenses
Patronal financing foundation	—	—	—	—	—	—	—	—
Benefit plans without surplus/deficit	—	(4)	(8)	(0)	(4)	18	15	28
Benefit plans with surplus	—	—	—	—	—	—	—	—
Benefit plans with deficit	—	—	—	—	—	—	—	—
Benefit plans without plan assets	—	(77)	(84)	(4)	(3)	6	3	5
Total	—	(81)	(92)	(5)	(7)	24	18	33

The benefit plans without surplus/deficit include the Livica Sammelstiftung defined benefit plan in Switzerland and the defined benefit basic pension scheme in Germany. The recognised economic liabilities for benefit plans without plan assets, i.e. unfunded plans, amount to CHF 77 million (previous year: CHF 84 million) and mainly relate to the pension plans in Germany and Sweden.

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

in CHF m	Switzerland	Abroad	2021 Total	Switzerland	Abroad	2020 Total
Contributions to benefit and contribution plans at expense of Group companies	15	10	24	16	9	25
Contributions to benefit and contribution plans from employer contribution reserves	—	—	—	—	—	—
Total contributions	15	10	24	16	9	25
+/– change in ECR from portfolio performance, impairment etc.	—	—	—	—	—	—
Contributions and change in employer contribution reserves	15	10	24	16	9	25
Decrease/increase in economic liability of Group from benefit and contribution plans without surplus/deficit	—	(4)	(4)	—	3	3
Decrease/increase in economic liability of Group (plans without plan assets)	—	(3)	(3)	—	5	5
Total change in economic impact from surpluses/deficits	—	(7)	(7)	—	8	8
Total expense of benefit and contribution plans for period	15	3	18	16	17	33

The change in recognised economic liabilities from benefit plans and paid-in employer contributions for the reporting year amount to CHF 18 million (previous year: CHF 33 million). These are fully included in personnel expenses in the reporting year, as was the case in the previous year.

28 Share capital

The share capital comprises a total of 340,000 fully paid-up shares with a par value of CHF 1,000 each. There is no conditional share capital. All shares in RUAG International Holding Ltd are owned by BGRB Holding Ltd which in turn is wholly owned by the Swiss Confederation.

29 Contingent liabilities towards third parties

in CHF m	2021	2020
Group guarantees	22	22
Total contingent liabilities towards third parties	22	22

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

30 Additional contingent liabilities not stated on the balance sheet

in CHF m	2021	2020
Agreed contractual penalties (fines and premiums)	—	—
Legal proceedings	—	—
Bill commitments	—	—
Capital commitments for property, plant and equipment (incl. investment properties)	4	8
Other liabilities not stated on the balance sheet	0	0
Total additional contingent not stated on the balance sheet	4	8

Contractual penalties By the nature of its operations, RUAG International has to deal with contractual penalties. The amounts reported reflect all agreed contractual penalties as at the end of the reporting period. These obligations are regularly reassessed. As soon as it is probable that a cash outflow will arise, a provision is recognised for it. The possibility of a cash outflow over and above the recognised provisions is currently considered improbable.

Legal proceedings Open or potential legal proceedings are handled by Corporate Legal & Secretary General and regularly monitored as to the probability of a future cash outflow. As soon as it is probable that a cash outflow will arise, a provision is recognised for it. The possibility of a cash outflow over and above the recognised provisions is currently considered improbable.

Capital commitments Capital commitments include the value of investments entered into as at the end of the reporting period in assets under construction.

31 Future minimum commitments from leasing transactions

Finance leases

in CHF m	2021	2020
Within 1 year	—	0
Later than 1 year, within 5 years	—	—
After 5 years	—	—
Total	—	0
Less future interest costs	—	—
Total lease liabilities recognised	—	0

Operating leases

in CHF m	2021	2020
Within 1 year	22	28
Later than 1 year, within 5 years	60	76
After 5 years	22	32
Total	104	136

These comprise unrecognised obligations under operating leases (including rental agreements).

32 Assets pledged as collateral

in CHF m	2021	2020
Cash and cash equivalents	—	—
Receivables and inventories	—	—
Plant and equipment	—	—
Property	3	2
Total assets pledged as collateral	3	2

33 Related party transactions

in CHF m	2021	2020
Receivables from related parties	2	15
Liabilities to related parties	(1)	(3)
Prepayments from related parties	(18)	(31)

In the reporting year, CHF 2 million of receivables from related parties (previous year: CHF 15 million) and CHF 0 million of liabilities to related parties (previous year: CHF 0 million) were attributable to the DDPS. Advance payments from related parties in the amount of CHF 18 million were fully attributable to the DDPS both in the reporting year and in the previous year (CHF 31 million). The invoiced sale to the DDPS totalled CHF 131 million (previous year: CHF 153 million) as stated in Note 6 “Net sales”. In addition, CHF 6 million (previous year: CHF 42 million) in sales were generated with the sister group RUAG MRO Holding Ltd. In return, purchases of materials and services totalling CHF 0 million (previous year: CHF 0 million) were made at DDPS, and CHF 27 million (previous year: CHF 39 million) at the sister group RUAG MRO Holding Ltd. There were no loans between the Group companies and members of the Board of Directors.

34 Compensation for members of the Board of Directors and management in key positions

The total emoluments paid to the non-executive members of the Board of Directors for the reporting year was CHF 497,000 (previous year CHF 543,000).[1,2,3] The number of Board members including the Chairman was 5 in the reporting year (previous year 7).[2]

The total remuneration paid to the CEO and the Executive Committee for the reporting year was CHF 4,903,000 (previous year CHF 5,394,000).[3,4] The total remuneration paid to the CEO for the reporting year was CHF 900,000 (previous year CHF 895,000).[3] The number of members of the Executive Committee including the CEO in the reporting year was 7 (previous year 9).[4]

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

in CHF thousands	Total 2021	Total 2020	Maximum overall compensation[5] 2021	Maximum overall compensation[5] 2020
Basic salary of Board of Directors				
Cash compensation	479	543	176	150
Employer contributions to pension fund	18	—	—	—
Total compensation paid to the members of the Board of Directors	497	543	176	150
Basic salary of Executive Committee				
Cash compensation	3 321	3 797	584	641
Benefits in kind	63	92	9	9
Employer contributions to pension fund	348	469	81	89
Performance-based component Executive Committee				
Cash compensation	1 027	879	201	136
Employer contributions to pension fund	144	157	25	20
Other long-term employee benefits	—	—	—	—
Total compensation paid to the members of the Executive Committee	4 903	5 394	900	895
of which cash compensation	4 348	4 676	785	777
of which benefits in kind	63	92	9	9
of which employer contributions to pension fund	492	626	106	109
of which other long-term employee benefits	—	—	—	—
Relation between performance-related and fix cash compensation	31 %	23 %	34 %	21 %
Total remuneration paid to the members of the Board of Directors and Executive Committee	5 400	5 937		
of which short-term employee benefits[6]	4 890	5 311		
of which employer contributions to pension fund	510	626		
of which other long-term employee benefits	—	—		

[1] The Board of Directors voluntarily waived 15 % of total remuneration in 2020.
[2] During 2021, the Board of Directors was reduced from 7 to 5 members.
[3] The total remuneration amounts are exclusive of the employer's social security contributions.
[4] This includes Urs Kiener, who stood down from the Executive Committee on 23 November 2020 and left the company on 31 August 2021.
[5] The highest total remuneration 2021 in the Board of Directors refers to the position of Chairman of the Board of Directors.
The highest total remuneration 2021 in the Executive Committee refers to the CEO.
[6] Includes the items cash remuneration and benefits in kind.

35 Risk management process, financial risk management and capital management

Risk management process

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

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

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

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

a. Market risks
RUAG International is exposed to market risks that largely relate to changes in exchange and interest rates and would therefore impact the value of the financial instruments held or the income/expenses associated with these. The Group monitors these risks continuously. It employs a number of derivative financial instruments to manage the volatility associated with these risks. The Group's objective is to reduce – where appropriate – fluctuations in earnings and cash flows associated with changes in interest rates, exchange rates and the value of financial assets.

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

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

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

as at 31 December 2020

in CHF m	EUR	USD	SEK	GBP	Other
Cash and cash equivalents	47	58	20	3	5
Trade receivables/other receivables	95	33	5	1	3
Other financial assets	2	8	1	0	0
Financial liabilities	(43)	(16)	(0)	(0)	(1)
Trade accounts payable/other liabilities	(60)	(15)	(9)	(1)	(3)
Other financial liabilities	—	—	(1)	—	(0)
Total foreign currency positions as at balance-sheet date from financial assets and liabilities	41	67	15	3	4

as at 31 December 2021

in CHF m	EUR	USD	SEK	GBP	Other
Cash and cash equivalents	30	21	8	2	5
Trade receivables/other receivables	57	48	3	1	6
Other financial assets	2	2	0	—	0
Financial liabilities	(1)	(3)	(0)	(0)	(0)
Trade accounts payable/other liabilities	(27)	(13)	(9)	(1)	(4)
Other financial liabilities	—	—	(0)	—	(0)
Total foreign currency positions as at balance-sheet date from financial assets and liabilities	61	54	2	2	6

The following currency hedging transactions existed as at 31 December:

Volume of contracts

in CHF m	2021	2020
Currency hedging contracts banks (Sale of foreign currency)	395	348
Currency hedging contracts banks (Purchase of foreign currency)	(57)	(50)

Carrying amounts

in CHF m	2021	2020
Current financial assets	4	9
Current financial liabilities	(5)	(1)

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

as at 31 December 2020

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Over 3 years	Total
Foreign currency forward transactions used for hedging purposes:					
Outflows	(1)	(0)	(0)	(0)	(1)
Inflows	8	1	—	—	9
	8	1	(0)	(0)	8

as at 31 December 2021

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Over 3 years	Total
Foreign currency forward transactions used for hedging purposes:					
Outflows	(4)	(0)	(0)	—	(5)
Inflows	3	0	—	0	4
	(1)	(0)	(0)	0	(1)

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

in CHF m	2021	2020
Other reserves	(3)	4

RUAG International provides certain foreign Group companies with loans in foreign currencies. These loans are not hedged. As repayment is neither planned nor likely in the foreseeable future, these items are quasi-equity loans. Therefore, the foreign currency gains/losses are recognised directly in equity. Cumulative foreign currency losses for these loans booked to equity as at 31 December 2021 amounted to CHF 44 million (previous year: CHF 35 million).

Interest rate risk RUAG International is exposed to interest rate risks arising from the volatility of market interest rates. Demand deposits and money market investments are subject to an interest rate risk that can impact on net profit. Due to the negative interest rate policy by the Swiss National Bank and the positive net financial position as at 31 December 2021, RUAG International is also exposed to the risk of negative interest rates. Negative interest paid in the year under review, as in the prior year, was not material.

Interest-bearing financial liabilities

as at 31 December, in CHF m	2021	2020
Current financial liabilities	0	58
Non-current financial liabilities	0	1
Total interest-bearing financial liabilities	0	59
Of which variable interest-bearing	0	1
Fixed through interest rate swap	—	—
Variable interest-bearing, net	0	1

Interest expense for interest-bearing financial liabilities in the year under review amounted to CHF 0 million (previous year: CHF 0 million).

Commodity price risk In buying commodities (particularly copper, lead, steel, zinc, aluminium, etc.) to be used as raw materials in production, the company is subject to a price risk. Commodity price changes can affect the gross profit margins of the operations concerned. Therefore, RUAG International uses primarily lead swaps to minimise the price fluctuation risk of planned purchases.

The following hedging transactions existed as at 31 December:

Volume of contracts

in CHF m	2021	2020
Lead price hedging contracts banks	2	8

Replacement values

in CHF m	2021	2020
Positive replacement value banks	0	—
Negative replacement value banks	—	0

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

Consumption

in CHF m	2021	2020
Aluminium	1	2
Lead	10	13
Copper	31	25
Steel	4	4
Titanium	0	0
Zinc	5	4
Other	0	0
Total	52	49

b. Credit risk

Credit risks arise in particular when customers are not in a position to fulfil their contractual commitments. To manage this risk, the Group periodically evaluates customers' solvency. Around 11 % (previous year: 13 %) of the Group's sales are attributable to the DDPS. No other customer accounts for more than 10 % of the Group's sales, with the exception of Airbus.

Trade and other receivables from the DDPS account for around 2 % (previous year: 10 %) of total trade and other receivables as at 31 December 2021. As at the balance sheet date, there are no heavily concentrated default risks with regard to the recognised trade receivables.

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

in CHF m	2021	2020
Cash and cash equivalents	106	158
Current financial assets	4	11
Trade receivables		
Other current receivables	131	173
Non-current financial assets	1	1
Total credit risk	241	343

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

c. Liquidity risk

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

On 10 December 2021, as part of the establishment of an independent financing solution, RUAG International signed a revolving, unsecured and committed syndicated loan agreement with a consortium of banks. RUAG International thus has access to cash credit lines totalling CHF 200 million and a deposit credit limit of CHF 50 million. While as at 31 December 2021 the cash credit lines had not been drawn down, deposits in the low double-digit millions were outstanding.

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

As at 31 December 2020

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Over 4 years	Total
Cash and cash equivalents	158	—	—	—	—	158
Current financial assets[1]	2	—	—	—	—	1
Non-current financial assets	—	0	0	1	0	1
Current financial liabilities[1]	(58)	—	—	—	—	(58)
Non-current financial liabilities	—	(1)	—	—	—	(1)
Other non-current financial liabilities	—	(0)	(0)	(0)	(0)	(1)
Net financial position	103	(1)	—	1	0	102
Prepayments from customers						184
Net financial position excl. customer prepayments						(82)

As at 31 December 2021

in CHF m	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Over 4 years	Total
Cash and cash equivalents	106	—	—	—	—	106
Current financial assets[1]	0	—	—	—	—	0
Non-current financial assets	—	0	0	0	0	1
Current financial liabilities[1]	(0)	—	—	—	—	(0)
Non-current financial liabilities	—	(0)	—	—	—	(0)
Other non-current financial liabilities	—	(0)	(0)	(0)	(0)	(1)
Net financial position	106	(1)	—	—	0	106
Prepayments from customers						179
Net financial position excl. customer prepayments						(73)

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

Capital management

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

36 Events after the reporting period

The Board of Directors of RUAG International Holding Ltd approved the consolidated financial statements for publication on 1 March 2022.

On 28 January 2022, the contract was signed for the sale of the Simulation & Training business unit of RUAG MRO International. The contractual closing is expected in the first half of 2022.

There were no significant events after the balance sheet date with an impact on the carrying amounts of the reported assets or liabilities as at 31 December 2021.

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

37 Consolidated companies and non-controlling interests (as at 31 December 2021)

Company	Head office	Country	Equity capital (100 %)		Shareholding	Consolidation method
RUAG International Holding Ltd[1]	Bern	Switzerland	CHF	340 000 000		Full
Consolidated companies						
RUAG Switzerland Ltd	Emmen	Switzerland	CHF	112 200 000	100.0 %	Full
RUAG Ammotec AG	Thun	Switzerland	CHF	12 000 000	100.0 %	Full
RUAG Ammotec Switzerland Ltd	Winterthur	Switzerland	CHF	300 000	100.0 %	Full
RUAG Corporate Services Ltd	Bern	Switzerland	CHF	100 000	100.0 %	Full
RUAG Simulation & Training Ltd	Bern	Switzerland	CHF	100 000	100.0 %	Full
RUVEX AG	Bern	Switzerland	CHF	100 000	100.0 %	Full
RUAG Slip Rings Ltd	Nyon	Switzerland	CHF	100 000	100.0 %	Full
RUAG Deutschland GmbH	Wessling	Germany	EUR	1 000 000	100.0 %	Full
RUAG Aerospace Structures GmbH	Wessling	Germany	EUR	25 000	100.0 %	Full
RUAG Defence Deutschland GmbH	Wedel	Germany	EUR	260 000	100.0 %	Full
RUAG Space Germany GmbH	Coswig	Germany	EUR	26 000	100.0 %	Full
RUAG Ammotec Deutschland GmbH	Fürth	Germany	EUR	100 000	100.0 %	Full
RUAG Ammotec GmbH	Fürth	Germany	EUR	25 000	100.0 %	Full
VS Medien GmbH	Bad Ems	Germany	EUR	25 000	100.0 %	Full
RUAG Sweden AB	Gothenburg	Sweden	SEK	100 000	100.0 %	Full
RUAG Space AB	Gothenburg	Sweden	SEK	15 000 000	100.0 %	Full
Norma Precision AB	Amotfors	Sweden	SEK	2 500 000	100.0 %	Full
Gyttorp AB	Karlskoga	Sweden	SEK	701 400	100.0 %	Full
Gyttorp Cartridge Company AB	Nora	Sweden	SEK	1 000 000	100.0 %	Full
RUAG Ammotec Sweden AB	Karlskoga	Sweden	SEK	300 000	100.0 %	Full
RUAG Australia PTY Ltd	Bayswater	Australia	AUD	10 000	100.0 %	Full
RUAG Ammotec Benelux BVBA	Boechout	Belgium	EUR	25 000	100.0 %	Full
RUAG Industria e Comercio de Municoes Ltda	São Francisco	Brazil	BRL	500 000	100.0 %	Full
RUAG Ammotec Denmark ApS	Randers SV	Denmark	DKK	371 804	100.0 %	Full[4]
RUAG Ammotec UK Ltd	Liskeard	UK	GBP	15 000	100.0 %	Full
RUAG Space Finland Oy AB	Tampere	Finland	EUR	2 500	100.0 %	Full
RUAG Ammotec Finland OY	Malax	Finland	EUR	33 638	100.0 %	Full
RUAG Holding France SAS	Terssac	France	EUR	100 000	100.0 %	Full
RUAG Defence France SAS	Terssac	France	EUR	400 000	100.0 %	Full
RUAG Ammotec France SAS	Paris	France	EUR	1 000 000	100.0 %	Full
RUAG Ammotec Italia s.r.l.	Brescia	Italy	EUR	100 000	100.0 %	Full
RUAG Ammotec Austria GmbH	Vienna	Austria	EUR	297 959	65.0 %	Full
RUAG Space GmbH	Vienna	Austria	EUR	1 500 000	100.0 %	Full
RUAG Hungarian Ammotec Inc.	Sirok	Hungary	HUF	300 000 000	100.0 %	Full
RUAG Aerostructures Hungary Zrt.	Eger	Hungary	HUF	609 000 000	100.0 %	Full
RUAG Ammotec USA Inc.	Tampa, FL	USA	USD	6 500 000	100.0 %	Full
RUAG Holding USA Inc.	Huntsville, AL	USA	USD	0.1	100.0 %	Full
RUAG Space USA Inc.	El Segundo, CA	USA	USD	25 000	100.0 %	Full
RUAG Simulation Company LLC	Abu Dhabi	VAE	AED	150 000	49.0 %	Full
beyond gravity AG	Emmen	Switzerland	CHF	100 000	100.0 %	[2,3]
Stadeln Genehmigungshaltergesellschaft mbH	Fürth	Germany	EUR	25 000	78.6 %	[2]
RUAG Advanced Systems Inc.	Huntsville (AL)	USA	USD	1 500	100.0 %	[2]
Minority interests						
Brünig Indoor Aktiengesellschaft	Lungern	Switzerland	CHF	3 400 000	0.3 %	[2]
Arianespace Participation	Evry	France	EUR	3 937 983	3.5 %	[2]

[1] RUAG International Holding Ltd, Stauffacherstrasse 65, P.O. Box, CH-3000 Bern 22.
[2] Non-material investments are valued at cost minus a valuation allowance.
[3] As at 27/05/2021, the company Beyond Gravity Ltd was founded with registered office in Emmen (CH).
[4] As at 20/08/2021, the company RUAG Ammotec Denmark ApS was founded with registered office in Randers SV (DK).

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
RUAG International Holding Ltd, Berne

Berne, 1 March 2022

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of RUAG International Holding Ltd, which comprise the consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes (pages 20 to 60), for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2021 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Philippe Wenger Licensed audit expert

Income statement for 1 January to 31 December

in CHF m	Note	2021	2020
Dividend income	2.5	38	115
Income from services		2	4
Total operating income		41	119
Personnel expenses		(0)	(0)
Other operating expenses	2.6	(12)	(12)
Impairment losses on financial assets	2.7	3	(92)
Impairment losses on investments	2.8	(3)	(198)
Total operating expenses		(12)	(302)
Operating profit/loss		29	(183)
Financial income			
Interest income		14	16
Currency gains		—	2
Financial expenses			
Interest expense		(9)	(8)
Currency losses		(1)	—
Pre-tax profit (loss)		32	(173)
Income taxes		(0)	(0)
Net profit (loss)		32	(173)

The notes to the financial statements on pages 65 to 67 form an integral part of the financial statements.

Balance sheet as at 31 December

in CHF m	Note	2021	2020
Cash and cash equivalents		34	55
Current financial assets			
Due to third parties		3	3
Due to companies in which the entity holds an investment		151	213
Other current receivables			
Due to third parties		1	1
Due to stakeholders		—	1
Due to companies in which the entity holds an investment		8	10
Prepaid expenses and accrued income		0	—
Total current assets		198	283
in % of total assets		27%	31%
Financial assets			
Due to companies in which the entity holds an investment[1]		164	263
Investments	2.1	366	369
Intangible assets		0	0
Total non-current assets		530	632
in % of total assets		73%	69%
Total assets		727	915
Current interest-bearing liabilities			
Due to third parties		0	58
Due to companies in which the entity holds an investment		67	230
Other current interest-bearing liabilities			
Due to third parties		0	1
Due to companies in which the entity holds an investment		50	45
Other current liabilities			
Due to companies in which the entity holds an investment		0	0
Current provisions		—	—
Deferred income and accrued expenses			
Due to third parties		0	0
Due to companies in which the entity holds an investment		1	2
Total current liabilities		118	336
Total liabilities		118	336
in % of total assets		16%	37%
Share capital	2.3	340	340
Legal capital reserve			
Reserves from capital contributions	2.4	10	10
Legal retained earnings			
General legal retained earnings		58	58
Voluntary retained earnings			
Balance sheet profit			
Net profit brought forward		169	344
Net profit (loss) for the year		32	(173)
Total equity		609	579
in % of total assets		84%	63%
Total liabilities and equity		727	915

[1] Of which subordinated: CHF 8 million (previous year: CHF 66 million)

The notes to the financial statements on pages 65 to 67 form an integral part of the financial statements.

1 Principles

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

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

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

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

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

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

2 Information on balance sheet and income statement items

2.1 Investments
a) Direct investments

Company	Head office	Country	Share of capital and voting rights 2021 in %	Share of capital and voting rights 2020 in %		Capital
RUAG Switzerland Ltd	Emmen	Switzerland	100	100	CHF	112 200 000
RUAG Ammotec Ltd	Thun	Switzerland	100	100	CHF	12 000 000
RUAG Simulation & Training Ltd	Bern	Switzerland	100	100	CHF	100 000
RUAG Corporate Services Ltd	Bern	Switzerland	100	100	CHF	100 000
RUAG Ammotec Switzerland Ltd	Winterthur	Switzerland	100	100	CHF	300 000
RUAG Slip Rings Ltd	Nyon	Switzerland	100	100	CHF	100 000
RUAG Deutschland GmbH	Wessling	Germany	100	100	EUR	1 000 000
RUAG Sweden AB	Gothenburg	Sweden	100	100	SEK	100 000
RUAG Holding France SAS	Terssac	France	100	100	EUR	100 000
RUAG Australia PTY Ltd.	Bayswater	Australia	100	100	AUD	10 000
RUAG Aerostructures Hungary Zrt.	Eger	Hungary	100	100	HUF	609 000 000

b) Material indirect investments

Company	Head office	Country	Share of capital and voting rights 2021 in %	Share of capital and voting rights 2020 in %		Capital
RUAG Aerospace Services GmbH	Wessling	Germany	0	100	EUR	1 000 000
RUAG Aerospace Structures GmbH	Wessling	Germany	100	100	EUR	25 000
RUAG Ammotec GmbH	Fürth	Germany	100	100	EUR	25 000
RUAG Space AB	Gothenburg	Sweden	100	100	SEK	15 000 000
RUAG Space USA Inc.	El Segundo, CA	USA	100	100	USD	25 000
RUAG Ammotec USA Inc.	Tampa, FL	USA	100	100	USD	6 500 000

2.2 Foreign currency forward transactions

in CHF m	2021	2020
Volume of foreign currency hedging contracts with banks	395	348
Volume of foreign currency hedging contracts with banks	(57)	(50)
Volume of foreign currency hedging contracts with Group companies	54	36
Volume of foreign currency hedging contracts with Group companies	(152)	(125)
Positive replacement value banks	4	9
Negative replacement value banks	(5)	(1)
Positive replacement value Group companies	4	0
Negative replacement value Group companies	(0)	(6)
Total replacement values	3	2

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

2.3 Share capital
The share capital of CHF 340 million comprises 340,000 registered shares, each with a nominal value of CHF 1,000.

2.4 Reserves from capital contributions
The reserves from capital contributions contain the premium from the non-cash contribution from the former state-owned defence company to RUAG International Holding Ltd as at 1 January 1999.

2.5 Dividend income
Income from investments includes ordinary dividend distributions from RUAG Ammotec Ltd, RUAG Ammotec Switzerland Ltd and RUAG Sweden AB.

2.6 Other operating expenses

in CHF m	2021	2020
Advertising costs	(1)	(3)
Administration costs	(5)	(3)
Management fees (top management costs)	(6)	(6)
Total other operating expenses	(12)	(12)

2.7 Impairment losses on financial assets
Financial assets are reviewed annually for impairment, if events or circumstances give reason to suspect that the book value may no longer be recoverable. In the reporting year value adjustments on financial assets in the amount of of CHF 2.9 million were reversed.

2.8 Impairment losses on investments
Investments are reviewed annually for impairment, if events or circumstances give reason to suspect that the book value may no longer be recoverable. In the reporting year, value adjustments were made on investments in the amount of CHF 3.1 million.

3 Further information

3.1 Full-time positions

RUAG International Holding Ltd does not employ any staff.

3.2 Collateral provided for third-party liabilities

in CHF m	2021	2020
Group guarantees	118	104
Total contingent liabilities	118	104

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

3.3 Events after the reporting period

On 28 January 2022, the contract was signed for the sale of the subsidiaries directly and indirectly held by RUAG International Holding Ltd that are active in the Simulation & Training business unit. The contractual closing is expected in the first half of 2022.

No material events have taken place since the end of the reporting period that would have an impact on the carrying values of the assets or liabilities or that would need to be disclosed here.

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

in CHF m	2021	2020
Balance sheet profit at the start of the financial year	169	344
Net profit (loss) for the year	32	(173)
Balance sheet profit at the disposal of the Annual General Meeting	201	171
The Board of Directors proposes to the Annual General Meeting the following appropriation of available earnings:		
Dividend	0[1]	2
Allocation to general legal retained earnings	—	—
Balance to be brought forward	201	169

[1] Expected dividend 2021 as proposed by the Board of Directors: CHF 0.3 million.

Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
RUAG International Holding Ltd, Berne

Berne, 1 March 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of RUAG International Holding Ltd, which comprise the income statement, balance sheet and notes (pages 63 to 67), for the year ended 31 December 2021.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

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Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Philippe Wenger Licensed audit expert

04 Corporate Governance

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Cash flow from operating activities rose from CHF 19 million to CHF 85 million.

RUAG International follows clear rules

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

Board of Directors

The duties of the Board of Directors of RUAG International Holding Ltd are governed by the Swiss Code of Obligations, the owner's strategy of the Swiss Federal Council, the Articles of Association and the Regulations Governing Organisation and Operations. The Board of Directors of RUAG International Holding Ltd currently consists of five members, none of whom performed executive functions in the year under review or in the three preceding years. In addition, the members of the Board of Directors have no material business relationship with the Group. In the reporting year, Jürg Fedier, Dr Marie-Pierre de Bailliencourt, Dr Jennifer Byrne and Dr Laurent Sigismondi did not seek nomination and resigned from the Board of Directors. Kaspar W. Kelterborn and Déborah Carlson-Burkart were newly appointed.

Election and term of office

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

Dr. Remo Lütolf

Chairman

Jürg Oleas

Vice Chairman

Rainer G. Schulz

Member

Kaspar W. Kelterborn

Member

Déborah Carlson-Burkart

Member

The following section provides information on the composition of the Board of Directors as at 31 December 2021, the individual members' functions within RUAG International, their nationality and the year in which they were first elected to the Board. Information is also provided on the year of birth, on other activities and interests, on significant mandates at major companies, organisations and foundations, on permanent functions in major interest groups, and on public offices and political mandates held as at 31 December 2021.

Dr. Remo Lütolf (b.1956, Swiss), Chairman of the Board of Directors since 26 April 2018, member since 2014
Committees: member of the Audit Committee and the Nomination & Compensation Committee
Significant mandates: Chairman of the Board of Directors of ewl Energie Wasser Luzern Holding AG, Chairman of the Board of Directors of Erdgas Zentralschweiz AG, member of the Board of Directors of MTE Meter Test Equipment AG, member of the University Council, University of Applied Sciences and Arts Northwestern Switzerland

Jürg Oleas (b.1957, Swiss), member since 2011
Committees: member of the Audit Committee
Significant mandates: Chairman of the Board of Directors of HOCHDORF Holding AG, member of the Board of Directors of Holcim AG

Rainer G. Schulz (b.1965, Swiss), member since 2020
Committees: Chairman of the Nomination & Compensation Committee
Significant mandates: member of the Board of Directors of Bühler Holding AG, member of the Board of Directors of Eisenmann SE, member of the Advisory Board of Röchling SE & Co KG, from 1 October 2021 Interim CEO at Röchling SE & Co KG

Kaspar W. Kelterborn (b.1964, Swiss),
Member since 2021
Committees: Chairman of the Audit Committee,
Significant mandates: Head of the Audit Committee of CPH Chemie+Papier Holding AG, Chairman of the Board of Trustees of Stiftung Hilfsfond der Perlen Gruppe, Member of the Board of Directors of Suhner Holding AG, Member of the Board of Directors of Wipf Holding AG, Member of the Board of Directors of Valyo AG, Member of Conzzeta Pension Fund

Déborah Carlson-Burkart (b.1969, Swiss),
Member since 2021
Committees: Member of the Nomination & Compensation Committee
Significant mandates: Founding Partner of Wernli Biedermann Partner, Member of the Board of Directors of Alstom Network Switzerland AG, Member of the Board of Directors of Visana Insurance Group, Member of Visana Employee Benefits Foundation PVS, Member of Karolina Blaberg Foundation Council, Member of the Advisory Board Cybera Global, Council Member of the Foundation Berner Stiftung zur Förderung der Hausarzt-Medizin, Member of Berner Reha Zentrum Foundation Council

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

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

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

Decisions are taken by the Board of Directors as a whole. To assist it in the preparation and implementation of its decisions, the Board is assisted by two committees: an Audit Committee and a Nomination & Compensation Committee. Instead of the usual six meetings, the Board of Directors held nine ordinary meetings and one two-day strategy meeting in 2021. In addition, the members of the Board of Directors discussed matters regularly by telephone. The agenda for meetings of the Board of Directors is set by the Chairman. Any member of the Board of Directors may request that an item be included on the agenda. The members are provided with documentation prior to each meeting to enable them to prepare for the items to be discussed.

The Board of Directors maintains an exchange of ideas with the company's operational managers. Visits to RUAG International's sites were limited in 2021 due to restrictions related to COVID-19.

Committees

The Board of Directors has an Audit Committee, and a Nomination & Compensation Committee, each of which has its own Chair. The committees meet regularly and prepare business for the full Board of Directors, draft related proposals and implement resolutions of the Board of Directors as required.

The agenda of each committee's meetings is set by its Chair. The members of the committees are provided with documentation prior to the meetings to enable them to prepare for the items on the agenda.

Audit Committee

The Audit Committee is composed of three members of the Board of Directors. The members of the Audit Committee are experienced in financial and accounting matters. The Audit Committee meets regularly and is convened by the Chair as often as business requires. Usually the meetings are also attended by the CEO, CFO, Vice President of Internal Audit, General Counsel and representatives of the statutory auditor.

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

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

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

Nomination & Compensation Committee

The Nomination & Compensation Committee (NCC) is composed of three members of the Board of Directors. The NCC meets regularly and is convened by the Chair as often as business requires. The meetings are usually also attended by the CEO and the Chief Human Resource Officer.

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

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

Information and control instruments

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

Compliance organisation

At Group level, Compliance & Governance is responsible in particular for enshrining the internal RUAG International rules through a comprehensive Compliance Management System. The commercial units are fully integrated in this structure through Communities of Interest for Trade Compliance and Commercial Compliance as well as the Compliance & Risk Network and the Compliance & Risk Board.

The Vice President of Compliance & Governance reports to the General Counsel, who is a member of the Group Executive Board. He also reports directly and regularly to the Audit Committee and the Board of Directors, and takes part twice a year in detailed talks with the Chairman of the Board of Directors. The shareholder is regularly provided with summary information about compliance-related topics through quarterly reports and discussions.

Whistle-blower system

RUAG International has an independent reporting office, which offers employees and third parties a way to report any abuses occurring at RUAG – anonymously if desired. The reporting tool, run by an external Swiss company, is intended to function as an early warning system and to help prevent, detect and remedy any irregularities. Incoming reports are seen and processed only by designated Compliance & Governance specialists.

Code of Conduct for Business Partners

The Code of Conduct for Business Partners has been integrated into RUAG International's General Terms and Conditions. RUAG International is committed to conducting business in accordance with ethical principles and applicable law and in a socially responsible fashion. RUAG International also expects its customers, suppliers and service providers and their supply chains to conduct themselves correctly in every respect.

Rejecting corruption

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

Group Executive Board

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

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

Angelo Quabba (b.1965, Swiss), member of the Group Executive Board, CFO of RUAG International, joined Nov. 2020
External mandates: Chairman of the Board of Directorss of Gubemo AG

Dr. Christian Ferber (b.1965, Swiss), member of the Group Executive Board, CHRO of RUAG International, joined 2012
External mandates: member of the Board of Directors of Schiltwald Partners AG, advisory board of EMA Partners Switzerland AG

Dr. Judith Bischof (b. 1974, Swiss), member of the Group Executive Board, General Counsel of RUAG International, joined 2018
External mandates: member of the Law Committee of Swissmem

Christoph M. Eisenhardt (b. 1968, German), member of the Group Executive Board, CEO of RUAG Ammotec, joined 2017
External mandates: member of the Board of Directors of AFEMS Association

Dirk Prehn (b. 1968, German), member of the Group Executive Board, Executive Vice President of RUAG Aerostructures, joined 2018, left the Group Executive Board on 15 March 2021
Executive mandates: none

Management organisation

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

The members of the Group Executive Board report to the CEO.

The Group Executive Board comprises the Chief Executive Officer (CEO), the CEO RUAG Ammotec, the Chief Financial Officer (CFO), the Chief Human Resource Officer (CHRO) and the General Counsel.

CEO

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

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

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

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

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

Management contracts

No management contracts have been concluded by RUAG International Holding Ltd and its subsidiaries with any third parties.

RUAG International management structure as at 31 December 2021

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

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

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

Internal Audit

CEO RUAG International/ Corporate Services André Wall	**Space** Luis De León Chardel	**Aerostructures** Clemens Friedli[2] Paul Horstink[3]	**MRO International** Felix Ammann	**Ammotec** Christoph Eisenhardt
Corporate Finance & Controlling[1] Angelo Quabba	Electronics	Aerostructures Germany	Simulation & Training	Defence & Law Enforcement
Corporate Human Resources Dr. Christian Ferber	Spacecraft	Aerostructures Switzerland	Aviation International	Hunting & Sports
Corporate Legal & Compliance Secretary General Dr. Judith Bischof	Launchers	Aerostructures Hungary	Business Aviation	Industry

— Group Executive Board

1 Incl. Procurement

2 As at mid-June, takeover of the role of Head of Business Unit Aerostructures Germany and Hungary

2 As at mid-June, takeover of the role of Head of Business Unit Aerostructures Switzerland

Compensation, profit-sharing and loans

Compensation report

The following details correspond to the guidelines of SIX Swiss Exchange concerning the compensation policy and compensation paid to members of the Board of Directors and Group Executive Board, taking the transparency provisions of the Swiss Code of Obligations (Art. 663bbis and Art. 663c) into account. Compensation paid in accordance with these provisions of the Swiss Code of Obligations is listed in the financial statements of RUAG International in Note 34 "Compensation of key management personnel", with further details provided.

Compensation policy

RUAG International's HR policy includes the principle that employee performance and company success are the main factors that determine compensation.

The policy is aimed at implementing simple, clearly structured compensation systems that ensure fair pay and are transparent for employees. RUAG International bases its compensation on current levels of remuneration in the applicable market environment and reviews it regularly. Individual compensation is based on job requirements, the employee's skills and performance, and the company's financial success. Wherever possible, RUAG International applies success- and performance-based compensation systems with an additional success-based variable component. These principles also apply in setting the compensation policy for the Group Executive Board, which is determined by the Board of Directors at the request of the NCC. RUAG International also prepares an annual report for submission to the Swiss Federal Department of Finance (EFD), the Swiss Federal Council and the Finance Delegation of the Federal Assembly on compliance with the Federal Council's executive pay ordinance.

Board of Directors

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

Compensation consists of the following:

- Fixed fee
- Other benefits

Each member of the Board of Directors receives a fixed fee as part of his or her basic compensation. Other benefits comprise lump-sum allowances for expenses. No compensation was paid to former Board members. Further details of compensation paid in the year under review can be found in the financial statements in Note 34 "Compensation of key management personnel".

Group Executive Board

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

Compensation consists of the following:

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

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

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

- Net sales
- Operating result (EBIT)
- Net working capital (NWC)
- Return on net operating assets (RNOA)
- Free cash flow

The target figures are set for one year and the targets are weighted according to strategic priorities. A lower and an upper threshold are defined for each of the five value drivers. If the lower threshold is not reached for the criterion concerned, the related portion of the performance-based component is omitted. However, exceeding the upper threshold does not lead to a further increase in the amount of the performance-based component. Goal attainment is weighted for the members of the Group Executive Board as follows: 20 % for personal goals and 80 % for financial goals. In the case of the heads of business segments, the financial goals are defined per segment. In the case of the CEO and the heads of service segments, the financial goals of RUAG International apply. In the CEO's economic targets, the financial value drivers NWC and RONOA were replaced by Order Intake.

For the members of the Group Executive Board, the performance-based component in 2021 ranged from 24 % (previous year: 13 %) to a maximum of 39 % (previous year: 42 %) of the annual cash remuneration.

Other benefits

Other benefits comprise employers' contributions paid to social security funds and for mandatory and extra-mandatory employee benefits. The same regulations on expenses apply for the members of the Group Executive Board as for all other employees of RUAG International. Additional regulations also apply to the members of the Group Executive Board and all executives in Switzerland concerning a lump-sum allowance for representation and other incidental expenses. Both regulations have been approved by the cantonal tax authorities concerned. A company car or a mobility allowance is provided to each member of the Group Executive Board. No compensation was paid to former Group Executive Board members. Further details of compensation paid in the year under review can be found in the financial statements in Note 34 "Compensation of key management personnel".

In the reporting year 2021, two members of the Executive Board left the company. One member was exempted from duties and received compensation during the period of exemption in accordance with the existing entitlements under individual employment contracts. Further information can be found in the Financial Report, Note 34, "Compensation for key management personnel".

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

Additional fees: During the 2021 financial year, the members of the Board of Directors received no appreciable fees or other compensation of additional services rendered to RUAG International Holding Ltd or any of its subsidiaries. Three members of the Executive Board received retention payments in the reporting year.

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

Capital structure

The share capital of RUAG International Holding Ltd amounts to CHF 340 million, comprising 340,000 fully paid-up registered shares, each with a par value of CHF 1,000. As at 31 December 2021, RUAG International Holding Ltd did not have any conditional or authorised capital, nor had it issued participation or dividend right certificates. The registered shares of RUAG International Holding Ltd are not listed.

Changes in capital

No changes in capital were decided upon in the last three reporting periods.

Shares, share register

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

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

The Board of Directors keeps a register of shareholders.

Shareholder structure

Shareholder

BGRB Holding Ltd holds 100% of the shares in RUAG International Holding Ltd and thus all voting rights in RUAG International Holding Ltd. BGRB Holding Ltd is held by the Swiss Confederation. The Swiss Federal Department of Defence, Civil Protection and Sport (DDPS) and the Swiss Federal Finance Administration (FFA) exercise the Confederation's shareholder interests.

Owner's strategy of the Swiss Federal Council

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

The new owner's strategy of the Swiss Federal Council entered into force on 1 January 2020 and is based on BGRB Holding Ltd and, indirectly, on the sub-holdings RUAG International Holding Ltd and RUAG MRO Holding Ltd. It establishes the transparent, binding framework which enables RUAG International Holding Ltd and its subsidiaries to fulfil their duties on a commercial basis while taking account of broader interests. The owner's strategy is enshrined in the Articles of Association of RUAG International Holding Ltd.

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

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

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

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

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

Change in control and defensive measures
Obligatory offer for sale
The Articles of Association contain no provisions concerning opting-out (Art. 125 paras. 3–4 of the Financial Market Infrastructure Act – FinMIA) or opting-up (Art. 135 para. 1 FinMIA).

Change of control clauses
Any disposal of the capital or voting majority of the Swiss Confederation in BGRB Holding Ltd to third parties requires the approval of the Federal Assembly (by simple federal decree, not subject to referendum, Art. 3 para. 3 of the Federal Act on Federal Armaments Companies). Existing agreements and plans do not contain any change-of-control clauses in favour of the members of the Board of Directors and/or of the Executive Board or other executives of RUAG International Holding Ltd.

Pension fund
The pension fund of RUAG International with the Livia collective foundation had a cover ratio of over 100 % as at 31 December 2021, as in the previous year.

Statutory auditor
Duration of mandate of auditor in charge
At the Annual General Meeting of 12 May 2021, Ernst & Young AG Bern was elected as RUAG International's statutory auditor for one year. Martin Mattes acts as lead auditor and is responsible for the audit mandate.

Audit fees and additional expenses
Ernst & Young provided RUAG International with services in the amount of CHF 0.7 million (previous year: CHF 0.8 million) during the 2021 financial year related to the audit of the financial statements of RUAG International Holding Ltd and its subsidiaries and of RUAG International's consolidated financial statements.

In addition, Ernst & Young AG provided RUAG International with audit-related services, tax advice and due diligence services in the amount of 0 million (previous year: CHF 1.6 million).

Supervisory and control instruments
The Audit Committee of the Board of Directors assesses the performance, fees and independence of the statutory auditor each year and submits a proposal to the Board of Directors as to which external auditor should be recommended to the AGM for appointment. On 17 June 2020, the AGM appointed Ernst & Young AG as the statutory auditor. The Audit Committee annually reviews the scope of external auditing, the auditing plans and the relevant processes, and discusses the audit results with the external auditor in each case.

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

Fees paid to the auditors

in CHF 1 000	2021	2020
Audit fees	723	812
Tax advice	25	127
Due diligence services	—	165
All other services	12	1 370
Total fees	760	2 474

Key dates

End of financial year	31 December 2021
AGM	18 May 2022

The Annual Report containing the financial statements for the year ended 31 December 2021 is sent to the shareholder together with an invitation to the AGM.

RUAG International Holding AG, Stauffacherstrasse 65, 3000 Bern 22, Switzerland,
info@ruag.com, www.ruag.com, +41 31 376 64 50