



**General Dynamics European Land
Systems - Mowag GmbH,
Kreuzlingen**

Report of the Statutory Auditor to the
General Meeting

Financial Statements 2022



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Report of the Statutory Auditor to the General Meeting of General Dynamics European Land Systems - Mowag GmbH, Kreuzlingen

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of General Dynamics European Land Systems - Mowag GmbH (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

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

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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



**General Dynamics European
Land Systems - Mowag GmbH,
Kreuzlingen**

Report of the Statutory Auditor to the
General Meeting on the Financial
Statements

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of 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.

KPMG AG

Regula Tobler
Licensed Audit Expert
Auditor in Charge

Stefan Widmer
Licensed Audit Expert

Zurich, 21 April 2023

Enclosures:

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

Balance sheet as of December 31	Notes	2022	2021
		CHF	CHF
ASSETS			
Current assets			
Cash and cash equivalents		175'754'987	65'945'738
Cash pool due from shareholder		357'520'792	279'734'134
Trade accounts receivable			
- Third parties	2	23'932'900	16'284'377
- Group companies		13'498'581	3'182'592
- Subsidiaries		1'677'217	16'013'371
Other receivables			
- Third parties		62'058'761	29'589'472
Prepayments to suppliers			
- Third parties		68'734'339	5'886'075
- Group companies		285'153	285'153
Inventories, work in process and non-invoiced services	3	285'678'095	324'436'828
Prepaid expenses and accrued income		11'920'273	12'171'067
		<u>1'001'061'098</u>	<u>753'528'807</u>
Non-current assets			
Investments	4	125'757	125'757
Property, plant and equipment	5	41'452'246	43'676'356
Intangible Assets	5	32'135'183	8'287'547
		<u>73'713'186</u>	<u>52'089'660</u>
		<u>1'074'774'284</u>	<u>805'618'467</u>

Balance sheet as of December 31	Notes	2022	2021
LIABILITIES AND QUOTAHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable		25'462'254	14'641'501
Prepayments from customers			
- Third parties		410'972'665	265'682'783
- Group companies		165'115'992	164'350'175
Other short-term liabilities			
- Third parties		32'353'659	5'247'263
- Group companies		2'655'555	17'636'021
- Shareholder		1'580'285	2'813'229
- Governing bodies (auditors)		175'000	170'000
Accruals for personnel		5'415'089	4'805'011
Accruals for taxes		8'607'140	4'977'614
		652'337'639	480'323'597
Non-current liabilities			
Provision for renewal		900'000	900'000
Contractual provisions (Warranty, Offset)		11'684'853	17'752'605
Due commissions		5'463'834	4'654'485
Other provisions	8	10'018'589	4'600'000
		28'067'276	27'907'090
		680'404'915	508'230'687
Quotaholders' equity			
Registered capital		2'000'000	2'000'000
General legal retained earnings		1'000'000	1'000'000
Voluntary retained earnings			
- Retained earnings		294'387'780	204'627'572
- Net income for the year		96'981'589	89'760'208
		394'369'369	297'387'780
		1'074'774'284	805'618'467

Income Statement	Notes	2022	2021
		CHF	CHF
GROSS PROFIT			
Revenue from products, services and licenses	12	487'698'049	595'395'189
Change in inventory of finished goods and work in process as well as non-invoiced services		17'348'084	-6'636'910
Internally produced and capitalized assets		1'004'661	3'065'637
TOTAL Operating income		506'050'794	591'823'916
Material expenses		-237'648'589	-294'057'388
Personnel expenses		-87'677'479	-94'818'891
Repair and maintenance		-4'934'644	-5'836'899
Advertising and marketing		-5'157'728	-5'342'464
Administration and other operating expenses		-53'213'996	-68'244'545
Depreciation	5	-7'796'068	-9'524'536
Amortization	5	-3'587'547	-13'464'132
TOTAL Operating Expenses		-400'016'051	-491'288'855
Operating Result		106'034'743	100'535'061
Extraordinary, non-recurring or prior period expenses	11	5'519'246	1'294'077
Financial income		688'582	219'971
Financial expenses		-19'937	-54'773
Foreign exchange gains and losses		-2'565'024	-413'584
Gain / (Loss) from sale of fixed assets		-272'279	26'307
Other income		75'645	313'344
INCOME BEFORE TAXES		109'460'976	101'920'403
TAXES		-12'479'387	-12'160'195
NET INCOME FOR THE YEAR		96'981'589	89'760'208

Notes to the financial statements

1 General

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the company's going concern, the company's financial statements may be influenced by the creation and release of hidden reserves.

General Dynamics European Land Systems – Mowag GmbH (GDELS - Mowag; the Company) was a 100% owned subsidiary of General Dynamics Global Holdings Limited. ("GDGH"). The purpose of the company is the production of wheeled light tactical armored vehicles and related technologies and services. On October 26, 2017, GDGH transferred 100% of the ownership in the Company to General Dynamics Swiss Financial Management Limited ("GDSFM").

2 Trade accounts receivable - third parties

An allowance for doubtful accounts of CHF 1'861'346.53 (2021: CHF 2'236'510.27) was recorded in 2022 to cover amounts deemed uncollectible.

3 Inventory and work in process

Raw materials and supplies are valued at weighted average acquisition costs. Semi-finished goods are valued at manufacturing costs using standard costing. Work in process and non-invoiced services are valued at acquisition or manufacturing cost. The company has furthermore made use of a general value adjustment (allowance) admissible under tax law.

	2022	2021
	CHF	CHF
Inventory consists of the following:		
Inventory	125'586'351	141'572'478
Milestones	2'200'227	6'380'724
Work in process	307'441'946	344'295'890
Inventory and work in process - gross	435'228'524	492'249'092
Allowance	-149'550'429	-167'812'264
Inventory and work in process - net	285'678'095	324'436'828

Notes to the financial statements

4 Investments

On January 15, 2016, GDELS - Mowag established General Dynamics European Land Systems Denmark ApS. The company is domiciled in Copenhagen, Denmark, and GDELS - Mowag owns 100% of the capital and voting rights.

On July 13, 2017, GDELS - Mowag established General Dynamics European Land Systems Romania SRL. The company is domiciled in Bucarest, Romania, and GDELS - Mowag owns 99.9% of the capital and voting rights.

On July 3, 2019, GDELS - Mowag established General Dynamics European Land Systems Botswana Proprietary Limited. The company is domiciled in Gaborone, Botswana, and GDELS - Mowag owns 100% of the capital and voting rights.

5 Property, plant and equipment (PPE) and Intangible Assets

Property, plant and equipment (PPE) is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. With the exception of land, PPE is depreciated using the declining balance method applying rates admissable under tax law. As soon as there are indicators that book values may be overstated, these are reviewed and, if necessary, adjusted.

PPE and Intangible Assets consist of the following:

	2022 Depreciation and Amortization CHF	2022 Carrying value, net CHF	2021 Carrying value, net CHF
PPE:			
Land and buildings	2'149'164	27'191'294	28'146'123
Machinery	3'309'578	7'703'084	9'429'547
Furniture and fixtures	117'529	450'838	688'138
Office equipment	52'482	157'386	223'669
Other fixed assets	2'167'315	5'949'644	5'188'879
	<u>7'796'068</u>	<u>41'452'246</u>	<u>43'676'356</u>
Intangible Assets:			
IP Steyr	0	0	0
IP Wheeled Vehicels	8'287'547	0	8'287'547
IP P5 Romania	3'641'997	32'135'183	0
	<u>19'725'612</u>	<u>73'587'429</u>	<u>51'963'903</u>

Notes to the financial statements

In December 2011, the company acquired intellectual property from GD European Land Systems - Steyr GmbH, a General Dynamics European Land Systems entity, for EUR 77'000'000 (CHF 94'819'340). The assets purchased relate to technology for both wheeled and tracked vehicles and are amortized using the straight-line method over a period of 10 to 15 years.

In October 2018, the intellectual property related to the tracked vehicles was sold to Santa Barbara Sistemas SA in Spain.

In 2020, internally generated intangible assets of CHF 13'812'579 were capitalized. The assets represent product and production technology development for wheeled vehicle products and are amortized over 5 years using the straight-line method. CHF 4'7000'000 represent product and production technology related to the Romania P5 programs. This amount was transferred to the IP P5 Romania balance in 2022. The remaining IP wheeled vehicles was fully amortized in 2022.

In 2022, internally generated intangible assets related to the P5 Romania contract of CHF 35'777'180 were capitalized. The assets represent product and production technology development for wheeled vehicle products and are amortized based on units delivered per contract.

Notes to the financial statements

6 Release of untaxed reserves

The net release of untaxed reserves amounted to CHF 16'792'456.20 in 2022 (CHF 10'960'223.50 in 2021).

7 Bank Guarantees

As of December 31, 2022, the Company has guarantees outstanding in the amount of CHF 544'247'600.00 (2021: CHF 327'005'912.10).

8 Other Provisions

We regularly assess our projects in relation to their hedged/unhedged exposure and the need for any provisions to be recorded. We believe we have adequately provided for all such risks as of December 31, 2022. As of December 31, 2022, a provision of CHF 7'356'291.45 was recorded to cover the mark to market value of all open currency forward contracts as of December 31, 2022 (2021: CHF 0).

Provisions of CHF 812'297.38 (2021: CHF 3'100'000) were recorded to cover program related costs.

9 Leasing

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet. The residual undiscounted amount of leasing obligations with a residual term of more than twelve months or which cannot be canceled within the next twelve months amounts to CHF 32'758'400 (2021: CHF 34'787'050) for the Tägerwilen lease and CHF 543'769.97 (2021: CHF 530'823) for the Ermatingen lease.

CHF 1'000	31.12.2022	31.12.2021
Up to 1 Year	2'714'984	2'843'307
2-5 Years	8'721'848	8'910'273
More than 5 Years	22'614'853	24'666'400
Total	34'051'685	36'419'980

10 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, exceeded 250.

Notes to the financial statements

11 Extraordinary Expenses

In 2022, an intercompany receivable in the amount of CHF 4'975'474.66 related to the income generated by Steyr out of the Steyr IP was booked (2021: intercompany payable of CHF 976'910.49).

12 Prior period revenue

The revenue from products, services and licences in 2022 includes income related to prior periods of 28.7 MCHF. The revenue related to the delivery of Piranha vehicles for an international customer at the end of 2021. The respective costs were recorded accordingly.

General Dynamics European Land Systems-Mowag GmbH, Kreuzlingen

Proposed Appropriation of Available Earnings	2022	2021
	CHF	CHF
Retained earnings brought forward	294'387'780	204'627'572
Net income for the year	96'981'589	89'760'208
Available earnings	391'369'369	294'387'780
The Managing Partners propose to the General Meeting the following appropriation of available earnings:		
Dividend declared *	-75'000'000	0
To be carried forward	316'369'369	294'387'780

* The dividend proposed is to be paid to the Company's shareholder (GDSFM) listed in note 1 to the financial statements by a direct set-off of the proposed dividend with the short term loan the Company has due from GDSFM and / or the cash pool due from GDSFM.