



R&S GROUP ANNUAL REPORT 2023



Key Facts per December 31, 2023

in MCHF



185.7
Order Backlog



201.6
Net Sales (adj.)



37.5
Operating result
EBIT (adj.)

+18.6 %
EBIT Margin (adj.)



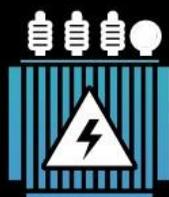
28.9
Profit
after tax (adj.)

1 CHF
Earnings
per share (adj.)



33.3
Free Cash Flow

15.3 %
based on Net Sales



5.6
Capital expenditures
for tangible assets and
intangible assets



2.5 %
Dividend return



616
Number of
employees

2 transformers

Supplied to the largest Alpine solar plant in Switzerland



17 Eco+ transformers

Supplied to Zurich airport in Switzerland



200+ transformers

Supplied to the world largest scientific center CERN



115 cast resin transformers

Supplied for high-speed rail in Spain



100 distribution transformers

To be supplied for the city of Winterthur in Switzerland



18 dry-type transformers

Supplied to the largest solar-powered desalination plant in Spain



8 resin transformers

Supplied to Amazon's new Italian logistics facility



20 Tesar transformers

Supplied to Ferrari's new technical building in Italy



17 high efficacy cast resin transformers

Supplied for new datacenter in Italy



200+ transformers

Supplied to FIFA World Cup 2022 stadiums

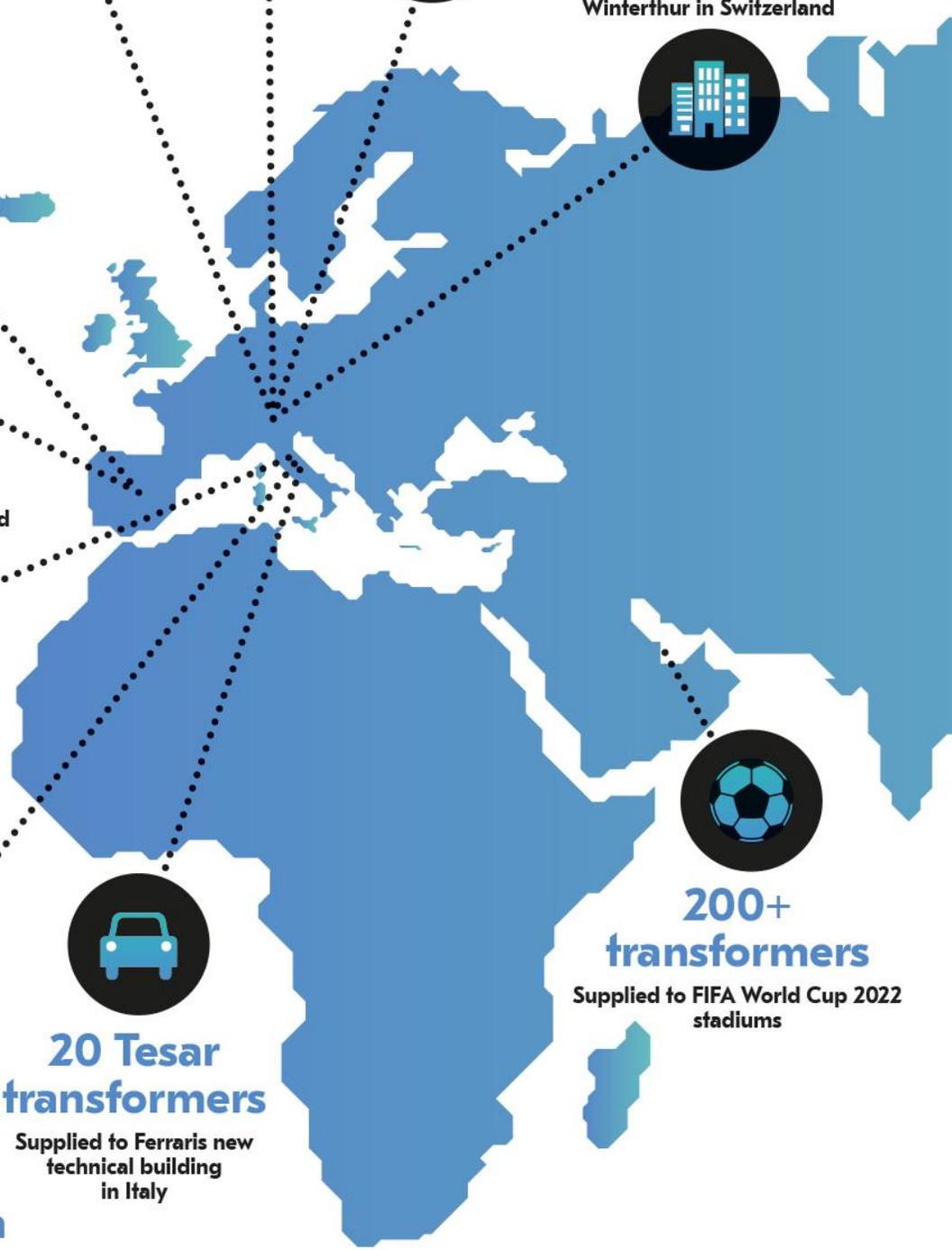


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Shareholder Letter

Heinz Kundert, Chairman R&S Group and Markus Laesser, Chief Executive Officer R&S Group



Dear Shareholders

We are delighted to present you with our inaugural annual report as a publicly listed company. The R&S Group passed a number of significant milestones in 2023, not the least of which were record sales and profitability. Supporting this performance were targeted initiatives to sharpen our strategy, drive operational excellence, empower our people and lift transparency and visibility. After an intensive transformation as part of the buy-and-build strategy of both inorganic and organic growth initiated by former owner CGS III (Jesery) L.P., R&S Group now has a solid foundation with strengthened governance. Our successful business combination with VT5 Acquisition Company AG and subsequent listing on the SIX Swiss Exchange on 13 December 2023 was a logical next step and the beginning of a new chapter in the 100-year history of the R&S Group.

Market and Strategy

We believe it's the right time for this next phase of profitable growth. As the world strives to reduce its dependence on fossil fuels and move to renewable energy sources such as wind and solar, and as new uses for electrical power in areas such as e-mobility and data centers speeds up, electricity is becoming ever more important as a source of energy and a driving force for economic growth. This creates significant challenges power grids everywhere, which are no longer based on a few large centrally-located power plants to decentralized grids that must be capable of integrating many smaller and widely-distributed sources of power generation, such as solar parks and wind farms. Furthermore, many power grids in Europe and elsewhere require modernization, not only to keep up with changing grid demands but also to replace aging equipment.

Shareholder Letter

Making sure that electricity is delivered reliably and efficiently is at the heart of what we do. Our specialized and custom-made power and distribution transformers are mission critical elements at every step in the power grid, from the power plant – whether fossil-fuel, nuclear, hydro, wind or solar – to a wide variety of industries, airports, rail systems, data centers, and urban power grids in many countries. These are attractive segments where we can leverage our strong brands, leading market shares, strengths in customer proximity, product quality, and fast and flexible delivery to our customers in Europe and the Middle East. We achieve this by offering our customers a highly reliable product portfolio, our employees an attractive working environment with development opportunities, and our shareholders sustainable returns in the form of dividends and the potential for share appreciation.

Strong 2023 Results

R&S Group enjoyed a favorable demand environment in 2023, as the long-term shift to renewable energy in our biggest markets continued, along with grid modernization and the ongoing build out of critical infrastructure such as data centers. These trends combined with our strategic growth initiatives to expand into new markets, such as Germany and the Nordic and Baltic countries, as well as measures to expand production capacity and improve productivity and operational efficiency, allowed us to report record net sales of CHF 201.6 million, an organic growth of 40% when excluding SERW spol.s r.o., the high-voltage switches business in the Czech Republic which we fully divested at the end of 2023.

We also achieved a record operating result (earnings before interest and taxes EBIT) of CHF 37.5 million (adjusted), four times more than in the previous year. Combined with a solid cash flow performance and strong balance sheet – including a strong equity and CHF 53 million in cash and equivalents – R&S Group has a solid financial foundation for future profitable growth.

Based on these strong results, the Board of Directors proposes to the Annual General Meeting on 28 May 2024 a dividend of CHF 0.25 per share.

The progress our company made and the convincing results achieved in 2023 would not have been possible without the strong effort of our more than 600 employees. On behalf of the Board of Directors and Executive Management, we would like to thank them for their commitment and loyalty to R&S Group. We aim to drive employee empowerment in the future and the creation of a team culture in which our people can achieve their maximum potential. It will also help us attract the people we need to implement our ambitious growth strategy. We would also like to express special thanks to our customers and business partners for their cooperation, as well as to our shareholders for their trust.

Shareholder Letter

Sustainability

We also recognize that economic performance is not the only measure of value creation. Environmental, social and governance measures are also needed to measure a company's overall and long-term value creation. R&S Group contributes to achieving targets in areas such as reducing greenhouse gas emissions through its high-efficiency products that enable the transition to renewable energies and make power delivery more efficient. But we also strive to improve our internal environmental performance in areas such as raw material and energy consumption. At the same time, we aim to create value for the communities in which we operate and for our employees, by providing them with development opportunities and a positive and inclusive work environment. Finally, we are committed to engaging in open dialog with all of our stakeholders and to providing simple and transparent targets on which our progress can be measured. Our commitment to sustainability will be presented more comprehensively in a separate report later this year.

Outlook

We are confident that the R&S Group is well-positioned in an attractive, long-term growth market. We expect continued strong demand over the long term driven by megatrends such as decarbonization, and the decentralization and modernization of power grids. Our leading market shares in selected countries and products provide us with a platform for replicating our success in new markets. And our ongoing measures to boost productivity give us a strong lever to deliver profitable growth on a sustainable basis.

Sissach, 16 April 2024



Heinz Kundert

Chair of the Board of Directors



Markus Laesser

Chief Executive Officer



Strategy and Business Model



Strategy and Business Model

Our Businesses and Markets

The R&S Group is a manufacturer and supplier of electrical infrastructure products, with leading positions in small and medium power and distribution transformers in selected markets in Europe and the Middle East. The company, headquartered in Sissach, Switzerland, employs over 600 people and operates six production, assembly and testing facilities in Switzerland, Italy, Poland and the United Arab Emirates (UAE). The Group's product portfolio consists of three categories of transformers with a variety of applications serving multiple industries:

- Power transmission and distribution
- Renewables, including hydro, wind and solar photovoltaic
- Transport and e-mobility
- Data centers
- Construction and infrastructure

Strategy and Business Model

Businesses

Rauscher & Stoecklin

Rauscher & Stoecklin AG is based in Switzerland and manufactures distribution transformers, especially for industrial grids. These include free-breathing transformers, which are the preferred design in Swiss distribution networks and offer the operating company easy maintenance with the smallest dimensions and lowest weights possible, as well as hermetically sealed transformers for the export market.



Oil-immersed distribution transformer

Tesar

Tesar has production facilities in Italy, Poland and the United Arab Emirates. The company manufactures cast-resin transformers used in a variety of applications, such as power distribution, converter solutions for industry, solar and wind power plants, and for electrical rail applications. Tesar also designs and produces custom oil-immersed distribution transformers for indoor and outdoor applications, as well as instrument transformers used in a multitude of projects worldwide where electrical parameters such as voltage and current need to be measured and controlled.



Cast resin distribution transformer

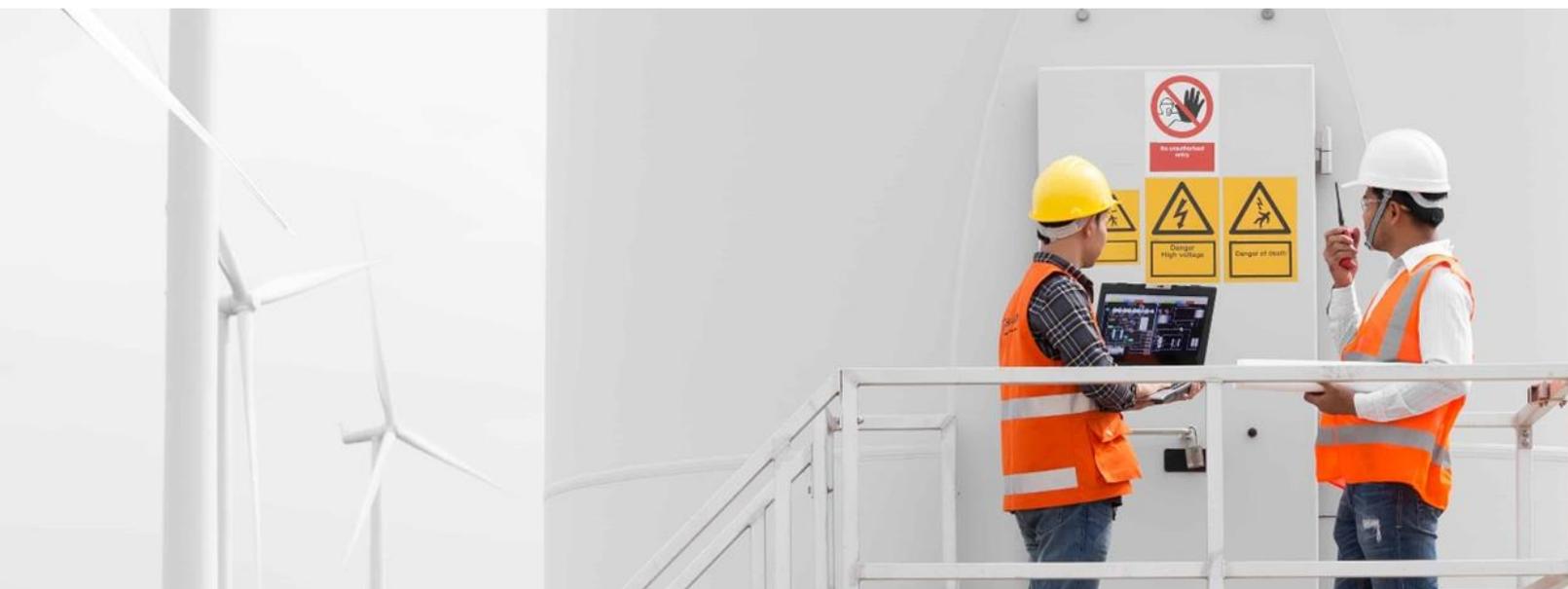
ZREW

ZREW is based in Poland and manufactures power transformers for applications with voltages up to 170 kilovolts (kV) and power up to 125 megavolt-amperes (MVA). These include step-up/step-down transformers, rectifier transformers and furnace transformers. The company also offers maintenance, modernization and diagnostic services.



Power transformer

Strategy and Business Model



"The energy transition in Germany requires a huge amount of renewable energy and the demand is expected to remain strong in the coming years. Our ZREW medium power transformer factory in Lodz, Poland, began delivering products to a number of German projects in 2023 and we have already received orders for 2024 and 2025."

Ulrich Voss, CSO R&S Group

Market and customers

The Group's main markets are currently concentrated in Switzerland, Italy, Poland and the Middle East, with efforts under way to enter new markets, mainly Germany and the Nordic and Baltic countries.

The transformer market is currently experiencing a pivotal moment, propelled by a number of long-term global trends¹:

- Growing energy consumption and increased demand for electricity in applications such as e-mobility, and data centers (e.g., global electricity demand is forecast to increase from 80-150% by 2050).
- Shift in power generation from centralized fossil fuel-fired plants to distributed grids based on renewables such as wind and solar (e.g., the share of renewables in the global power generation mix is expected to rise from approximately 25% today to as much as some 80% by 2050).
- The need to modernize aging grids and adapt them to the growth in renewables (approximately 50% of the European Union electricity grid will be more than 40 years old by 2030).

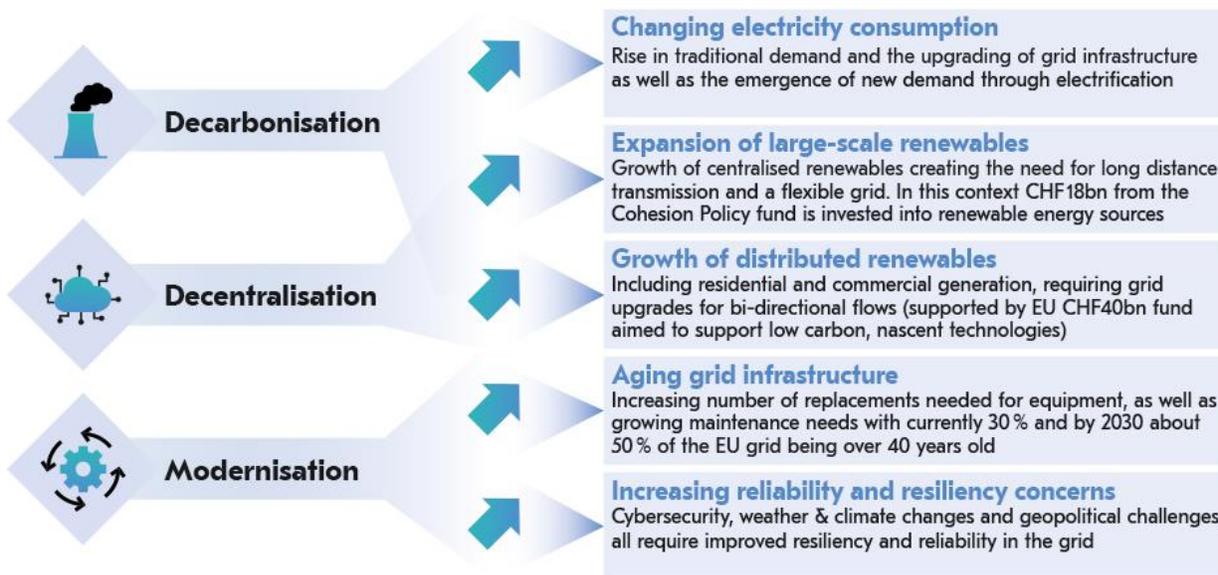
¹ International Energy Agency World Energy Outlook, 2023

Strategy and Business Model

All of these trends require energy-efficient transformers to move electricity from the power source to end-users with the lowest losses.

The company sells directly to distribution network operators, engineering, procurement and construction (EPC) companies, wind and solar power producers, industrial customers, power generators and transmission system operators (TSOs). An additional channel to market is a global network of more than 120 distributors and wholesalers worldwide.

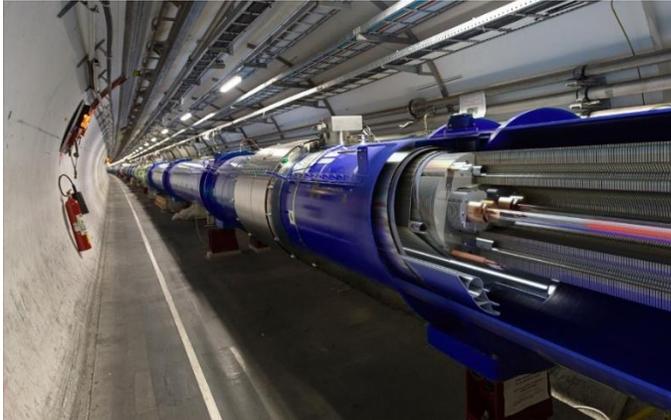
Capture growth from the ubiquity of electrification²



² Consultancy analysis UBS

Strategy and Business Model

Milestone Projects



World largest particle accelerator, CERN, near Geneva, Switzerland. Tesar supplied a 9MVA transformer to one of the world's most prestigious scientific research centers. Over the past 20 years, Tesar has supplied more than 200 transformers to CERN. The new transformer will be used to power the cryogenic systems of the Large Hadron Collider to maintain the temperature of the superconductors at 1.9°K, among the coldest temperatures ever achieved.

The Circle at Zurich Airport, Switzerland. One of Switzerland's largest-ever construction projects, the Circle opened in 2020. Rauscher & Stoecklin supplied 17 high-efficiency Eco+ transformers, 140 heating, ventilation and air conditioning (HVAC) sub-distributors and 40 HVAC main switchboards to ensure a stable and secure power supply.



Solar Alpine Park Switzerland. Swiss energy providers are harnessing the power of the sun at the top of the Muttssee dam at an altitude of 2,500 meters, the longest structure of its kind in Switzerland. Rauscher & Stoecklin's transformers play a crucial role in connecting this important source of renewable energy to the Swiss power grid, and required special helicopter transport for their installation.

Strategy and Business Model

FIFA World Cup 2022 in Qatar. More than 200 cast resin transformers from Tesar were used to illuminate eight football stadiums in Qatar during the world's premier football tournament. The challenge was to deliver a large number of transformers within tight deadlines. This played to Tesar's strengths in delivering customized solutions quickly.



Largest pumped storage power plant in Poland. ZREW supplied three power transformers to ESP Żydowo, Poland's first and largest pumped storage power plant in Poland. The transformer ensures the plant can maintain a continuous supply of power to the Polish grid. The plant uses two natural reservoirs - Lake Kamienne and Lake Kwiecko - with an altitude difference of 82 meters.

Brenner Base Tunnel, Austria, Italy. Rauscher & Stoecklin is supporting the expansion of the European railway system with 400A connectors for the Brenner Base Tunnel, providing a vital 55-km rail link from Innsbruck, Austria to Fortezza, Italy. The connectors feature a long service life, easy installation and fast replacement of spare parts, ensuring seamless operation of this transformative project.



Strategy and Business Model



"Our newly built plant in Bochnia is entering an exciting new era, and represents significant investments in the production of oil transformers. Once we begin production in 2024, we will be able to provide our customers with both cast resin and oil-immersed transformers from two locations. Combined with ongoing operational and process improvements, we aim to deliver unique value and best-in-class products to our customers."

Leonard Płonka, Managing Director Tesar Polska Sp. z o.o

Business Model

R&S Group strategically targets attractive segments within the low to medium voltage transformer market. The business model is dynamic and customer-centric, prioritizing the unique needs of customers and niche markets. Specializing in customization, shorter lead times, customized transformers, and personalized services, the core competency lies in the production of small and specialized batches, delivering high-quality and reliable products with speed and precision. The essence of the business is reflected in the process and engineering excellence, emphasizing the performance of all core components.

The production strategy is geared to small batches and customization, with structural advantages in terms of low overhead costs, personalized local service, and short lead times. This, combined with the commitment to quality, positions R&S Group as a frontrunner in the dynamic landscape of the electrical infrastructure industry.

Strategy and Business Model

Strategy

The R&S Group is committed to profitable growth and increasing company value through a buy-and-build strategy. The strategy is aligned with the megatrend electrification and is based on four key pillars:

- Providing best-in-class and customized products and designs
- Focusing on emerging industry sectors/applications like datacenters, e-mobility and renewables
- Geographic expansion into new markets in particular Germany, the Nordics and Baltics
- Efficiency gains and output increase through ongoing process optimization

Through these key pillars, the R&S Group positions itself for sustained success, capturing opportunities presented by the electrification megatrend and fortifying its role as an industry leader.

Strategic roadmap for profitable growth



"We are proud of the entire R&S team and how they supported the listing on SIX Exchange. We look forward to demonstrating that we're well positioned to benefit from the long-term trends towards decarbonization, grid decentralization and modernization. Being a listed company will increase our visibility in the markets and provide us with the opportunity to better execute our initiatives and growth plans in the future."

Matthias Weibel, CFO R&S Group

Business Development



"Our success has been driven by our skilled and motivated people. We strive to provide them with a collaborative environment in which they can realize their potential, building effective teams and cooperating with their colleagues, not just within individual plants, but across the business and between locations. Our ability to achieve this collaborative culture gives us a long-term competitive advantage."

Markus Laesser, CEO R&S Group

Business Development

Group Financial Performance

Favorable market conditions in 2023, especially in Europe, helped drive significant growth as customers continued to invest in the shift to renewable energies – mainly wind and solar photovoltaic power generation – and grid upgrades, trends that are expected to persist into the long term. The company's ongoing efforts to expand into the new markets of Germany and the Nordic and Baltic countries also contributed to the positive development. Further operational and capacity improvements allowed the company to meet the increased demand in a cost-effective way, resulting in increased profitability despite some supply chain constraints caused by slow economic development in China and the armed conflict in Ukraine, as well as persistently higher energy prices in Europe.

Order intake, a key indicator of future revenues, increased significantly to CHF 245.0 million from CHF 231.6 million (+6%), when adjusted for divested business. The increased demand was seen in all product areas, applications and markets, especially in the new markets in Germany and the Nordic and Baltic countries. The order backlog at the end of 2023 amounted to a record CHF 185.7 million, up 22% from CHF 151.9 million at year-end 2022.

R&S Group generated reported net sales of CHF 216.9 million for the fiscal year 2023. Excluding sales from SERW spol.s r.o., a manufacturer of high- and medium-voltage switches based in the Czech Republic that was divested at the end of 2023, net sales amounted to CHF 201.6 million, equivalent to organic sales growth of 40% compared with the previous year (2022: CHF 144.3 million) and in line with guidance provided in early December 2023. Currency effects, primarily the strong Swiss franc versus the Euro, had a small negative impact on net sales growth.

On a geographic basis, net sales in Europe increased to CHF 198.0 million, up 43% from CHF 138.1 million in 2022). In Asia, net sales rose by 28% to CHF 21.2 million compared with CHF 16.6 million in 2022, while net sales in America, Africa and Oceania amounted to CHF 2.2 million versus CHF 1.8 million in the previous year. Gross sales figures per region do not reflect sales deductions, which are included in the overall net sales for the respective periods.

Adjusted operating results (earnings before interest and taxes EBIT) amounted to CHF 37.5 million, equivalent to an EBIT margin of 18.6%. This is in line with previously issued guidance and is more than four times higher than the CHF 9.1 million in the previous year. The very positive result is largely reflecting the successful implementation of growth and productivity measures during the year.

Adjusted net profit (after tax) reached a record CHF 28.9 million, compared with CHF 5.9 million in the previous year. As a result the Board proposes to the Meeting of Shareholders on 28 May 2024 a dividend of CHF 0.25 per share, in line with its dividend policy.

Business Development

Cash flow from operations improved to CHF 38.0 million (2022: CHF 3.7 million), reflecting both higher earnings and successful measures to manage working capital, especially spending on raw materials, which accounts for more than 60% of the company's production costs. In particular, about 80% of raw material costs are metals. The company was able to effectively manage these costs by, for example, using floating price-clauses to ensure margin stability, improved contract management to better control the risk of key material price increases on longer-duration projects, and a stronger focus on recyclable materials.

Consolidated Key Financials

	2022 reported	2022 adjusted ¹	2023 reported	2023 adjusted	Change in adjusted %
	MCHF	MCHF	MCHF	MCHF	in%
Order Intake	240.9	231.6	264.6	245.0 ²	6%
Order backlog	158.9	151.9	185.7	185.7	22%
Net sales	155.1	144.3	216.9	201.6 ²	40%
Operating result (EBIT)	7.7	9.1	28.7	37.5 ³	312%
as % of net sales	5.0%	6.3%	13.2%	18.6%	
Profit after tax	4.3	5.9	11.6	28.9 ⁴	391%
Earnings per share in CHF	0.15	0.20	0.40	1.00	391%
Net financial position ⁵	4.7	7.0	6.7	6.7 ⁶	-5%
Dividend per share	0	0	0.25	0.25 ⁷	
Year-end Number of full-time equivalents	712	540	616	616	14%

¹ without figures of plant in Czech Republic (SERW), which was divested on 5 December 2023

² adjusted for figures of divested plant in Czech Republic (SERW)

³ adjusted for CHF 9.5 million loss from sale of SERW including disposed net assets of CHF 4.0 million and recycling of historic goodwill of SERW in the amount of CHF 5.5 million included in «Other Operating Expenses»

⁴ adjusted for CHF 9.5 million loss from sale of SERW (see footnote 2) and non-operating listing costs from initial business combination of CHF 8.0 million

⁵ defined as cash and equivalents less (interest-bearing) short- and long-term liabilities

⁶ including CHF 38.7 million financial debt of R&S Group Holding AG (former VT5)

⁷ proposal of the Board of Directors to the Annual General Meeting on 28 May 2024

Guidance 2024

Based on R&S Group's strong performance in 2023 and a positive demand forecast for 2024, driven primarily by the continuing shift to renewable energy sources and grid modernization in Europe, the company has revised its revenue guidance and now expects net sales to grow by 9-12% in 2024, up from 8-10% as communicated previously, and an increased EBIT margin to a range of 16-18% from the previous level of 15%.

Business Development



"In 2023, we further optimized our production processes and expanded our capacities in preparation for another capacity increase. We also won new customers in Switzerland and abroad with our latest products."

Stephan Vegh, Managing Director Rauscher & Stoecklin AG, Switzerland



Sustainability

Sustainable Value Creation

R&S Group believes that long-term value creation cannot be measured by economic performance alone, but must also include environmental, social and governance (ESG) considerations. We have many stakeholders, from customers and suppliers to employees, shareholders and more broadly the communities and wider world in which we operate. Our aim is to ensure that the value we create takes them all into account.

We also understand the importance of transparent communications and open dialog with our partners. In this, R&S Group's first annual report since its listing on the SIX Swiss Exchange in December 2023, we're presenting where we stand today with our ESG program and how we intend to further integrate ESG principles into our business strategy and long-term targets

Overall framework

The company addresses these issues within the framework of the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the UN Guiding Principles on Business and Human Rights and the UN Sustainable Development Goals. Additionally, we adhere to the Swiss Climate and Innovation Act that aims for Switzerland to become climate neutral by 2050. The company also uses the ISO 9001 and ISO 14001 management systems to help standardize the measurement and reporting of its quality and environmental performance over the long term.

Environmental impacts

Our business impacts the environment in two ways. One is how our products contribute to the successful shift towards renewable energy sources, such as wind, solar photovoltaic and hydro. All of these applications require specialized transformers to move electricity through the grid with as little power loss as possible. In this way, R&S Group is contributing to the decarbonization of the power grid.

At the same time, we use raw materials, such as copper and steel, to manufacture our products, as well as electricity, fossil energy, freshwater and land. Our activities therefore have effects on greenhouse gas emissions, water and land use.

R&S Group has already been active in ESG implementation for several years, including the regular monitoring of performance indicators such as electricity, fuel and water consumption. In 2019, the company introduced monthly reporting of five ESG indicators and quarterly monitoring of three additional indicators. Operational greenhouse gas (GHG) emissions are measured at regular intervals by local health, safety and environment managers and reviewed against our targets. As part of our efforts to better understand all of our GHG emissions, in 2023 we conducted a life cycle assessment of two transformer types (aluminium and copper), and calculated the company's electrical energy efficiency.

Sustainability

Based on this data, we were able to establish a first set of ESG targets: to reduce GHG emissions by 33% by 2033 versus 2023 levels, and to be climate neutral by 2050, in accordance with the Swiss Climate and Innovation Act.

We also apply ESG principles in key areas such as supply management, product design and raw material consumption. These include the selection and qualification of suppliers who can provide high-quality materials manufactured with lower carbon emissions, and preferably based on the use of recycled materials, as well as optimized transformer design to reduce raw material use. We already manufacture our cast resin transformers according to the circular economy principle, with 80% of the end product consisting of recyclable materials, mainly metals.

Social impacts

Our business also has broader social impacts, including on customers, suppliers, the communities where we operate, and our employees. Only by ensuring that these stakeholders share in our value creation can we expect to achieve our long-term business goals.

At the community level, our operations in Switzerland, Italy, Poland, Argentina and the United Arab Emirates contribute to the economic well-being of people living in those areas, not only by creating high-value jobs but also by providing customers with better and faster service, building local supply networks, and sharing training and technology developments.

As an employer, R&S Group takes care to minimize on-the-job health and safety risks, such as elevated work (at height), lifting heavy loads, exposure to vapors during welding or painting, or operating the various production systems and working with high voltage. This is supported by a strict zero accident goal and the provision of regular mandatory training and periodic inspections of working conditions.

R&S Group also sees itself not only as a provider of jobs, but also of career development opportunities and a work environment in which people are empowered to take decisions and collaborate to achieve their goals. We are dedicated to an inclusive and fair working environment. At the end of 2023, the proportion of women employees was 20 per cent, compared with 18 per cent in the previous year, and we intend to increase this number.

Social impacts also include respect for human rights, particularly at our production sites and in our supply chains (for instance, labor rights). We are committed to respecting and protecting human rights wherever we do business. In 2019, we adopted a Human Rights Policy Statement and integrated our human rights commitments into our Code of Conduct for our employees, sales agents and suppliers. Violations of our policy can be reported to the employee's supervisor or the HR department. In 2023, no incidents were reported.

Sustainability

Governance Impacts

Trust is key to sustainable business success. It lays the foundation for strong and productive relationships with employees, customers, suppliers, shareholders and the communities in which we operate. R&S Group strives to foster trust, honesty, respect and ethical conduct throughout the organization and across the entire value chain.

To support this, we have implemented compliance awareness programs at all levels of the group. This includes our Code of Conduct for all employees, who are encouraged to report all concerns regarding adherence to the Code, including those relating to bribery and corruption, mobbing, sexual harassment, and discrimination, to their supervisor or the Human Resources department. Our suppliers and agents also commit to adhere to applicable laws and our Code of Conduct. Our zero-tolerance anti-corruption policy was strengthened in 2023 and independently assessed. None of our companies were involved in any cases of corruption in 2023.

Looking ahead, we are committed to driving this process forward. We intend to report regularly on our performance in all of these areas, benchmark ourselves against best practice in our industry, and integrate ESG principles into our corporate purpose, business planning and strategy. In this way, we aim to create long-term and sustainable value for all of our stakeholders.

Sustainability



"We have to speed up the installation of new infrastructure for renewable energy production using the latest sustainable technologies. Our aim must be to actively address climate change and create a better world for future generations. We are playing an important role by making renewables more efficient and economically attractive with our low-loss transformers."

Matteo Angiolini, Managing Director Tesar S.r.l., Italy

Corporate Governance

I Group Structure and Shareholders

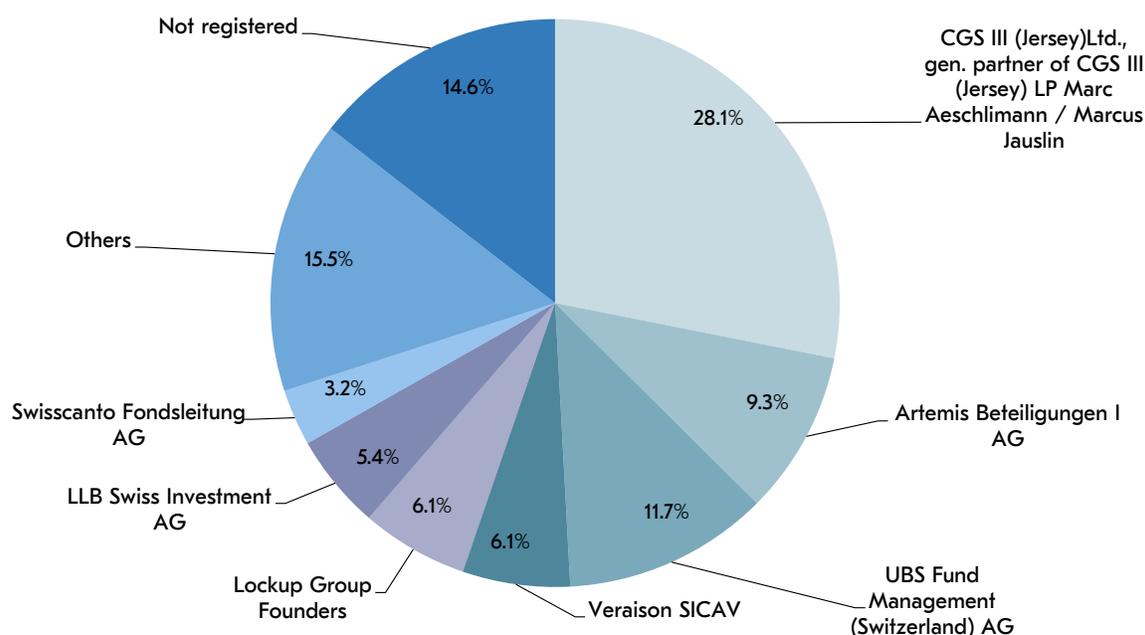
I.1 Operational Group structure of R&S Group Holding AG

The Company's registered office is at Churerstrasse 25, CH-8808 Pfäffikon SZ, Switzerland. The registered shares (security no. 110797983; ISIN CH1107979838) are listed on the SIX Swiss Exchange. The Company's share capital as at 31 December 2023 was CHF 2'893 thousand and the market capitalization reached CHF 338.5 million. There are no other listed companies within the scope of consolidation of R&S Group.

Our operating business is conducted through R&S Group Holding AG's subsidiaries (operating legal entities). The consolidated legal entities are disclosed in note 1 of the consolidated financial statements. The composition of the Board of Directors and the Group Executive Committee of R&S Group is reflected in sections 3 and 4 of this report.

I.2 Significant shareholders/participants

Based on notifications received by R&S Group Holding AG, each of the following shareholders held more than 3% of the voting rights in R&S Group Holding AG as at 31 December 2023.¹ The list of significant shareholders as at 31 December 2023 is disclosed in note 4.5 of the parent company's financial statements.



¹ The voting rights participation according to the latest disclosure notice received from the shareholder

Free float at 50.3% as at 31 December 2023

CGS III (Jersey) Ltd is a fund managed by CGS Management AG. Rolf Lanz is Senior Partner at CGS Management AG. In February 2024 CGS III (Jersey) Ltd. reduced its shareholding to 17.8%.

Corporate Governance

Notifications of significant shareholdings in R&S Group Holding AG, or disposal of such, that were disclosed during 2023 can be found under the following link by inserting 'R&S Group Holding AG' as the company name: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

1.3 Lock-up agreements

Board of Directors and Executive Committee shareholders, have agreed, for the period ending 11 December 2024, not to offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any options, right or warrant to purchase, pledge, grant instruction rights as pursuant to article 25 FISA, or otherwise publicly announce any such offer, sales or disposal, directly or indirectly any Company shares.

The lock-up agreement does not apply to shares or other securities acquired by the respective member of the Board of Directors and Executive Committee in open market transactions.

1.4 Cross shareholdings

The R&S Group Holding AG or its subsidiaries do not have any cross-shareholdings exceeding 5% of capital holdings or voting rights.

2 Capital Structure

2.1 Changes in share capital

The description of the changes of capital in the last two years is disclosed in note 4.5 of the 'Statutory Financial Statements'.

2.2 Shares and participation certificates

	2023	2022
Number of shares as at 31 December		
Registered shares with par value of CHF 0.10 each (all entitled to dividends)	28'929'412	23'529'413

There are no preferential or similar rights. Each share entitles the holder to one vote. There are no participation certificates.

2.3 Dividend-right certificates

There are no dividend-right certificates.

2.4 Limitations on transferability and nominee registrations

The Company maintains a share register in which owners (acting in their own name or in their capacity as nominees) of the registered shares are entered with their name, address and place of incorporation in the case of legal entities. In relation to the Company, any person entered in the

Corporate Governance

share register shall be deemed to be a shareholder. Further information to the Company's share register can be found at <https://ir.the-rsgroup.com/shareholder-registry/>.

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. Furthermore, the Board of Directors may enter fiduciaries/nominees with voting rights in excess of 2%, if such fiduciaries/nominees disclose the name, address or registered office, and shareholding of all persons for whose account they hold at least 0.5% of the share capital. Fiduciaries/nominees that are affiliated with other fiduciaries/nominees by means of ownership structure or voting rights, or which have a common management, or are otherwise affiliated, shall be deemed one fiduciary/nominee as regards the application of these entry limitations. As at 31 December 2023, there were no entries in the share register of fiduciaries/nominees with voting rights.

The Board of Directors may cancel the entry in the share register of a shareholder or fiduciary/nominee with voting rights, upon a hearing of such shareholder or fiduciary/nominee, if the entry in the share register is based on false information. The affected shareholder or fiduciary/nominee shall be notified of the cancellation immediately.

2.5 Convertible bonds and warrants/options

There are no outstanding bonds convertible into or warrant/options to acquire Company shares outstanding, with the exception of the 6'666'657 'Redeemable Warrants' (security no. 110800808; ISIN CH1108008082; SIX symbol RSGW). Each Redeemable Warrant entitles the holder thereof to receive from the Company one share upon exercise during the exercise period and payment of the exercise price, subject to certain adjustments. The exercise price for the Redeemable Warrants is CHF 11.50, subject to certain adjustments. The Redeemable Warrants may be exercised until 15 December 2027, subject to an early redemption of the Redeemable Warrants.

3 Board of Directors

3.1 Members of the Board of Directors

All members of the Board of Directors of R&S Group Holding AG, except for Rolf Lanz, are independent non-executive members.

In applying the Corporate Governance Directive of the SIX Swiss Exchange and as set forth in article 5.7 of the Articles of Association, which can be found at <https://ir.the-rsgroup.com/documents/>, we disclose mandates and interests of the members of the Board of Directors outside the Group. In accordance with article 5.7, mandates in different legal entities that are under joint control are deemed one mandate and are not set out independently.

Corporate Governance

No member of the Board of Directors and the Executive Board may hold more than 10 additional mandates of which no more than 4 mandates in listed companies. The following mandates are not subject to these limitations:

- Mandates in companies which are controlled by the Company or which control the Company;
- Mandates in different entities which belong to the same group are treated as one mandate;
- Mandates which are assumed by members of the Board of Directors, the Executive Committee or any advisory Board on instruction of the Company;
- Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors or of the Executive Committee shall hold more than 10 such mandates.

Corporate Governance



Heinz Kundert

Chairman of the Board of Directors, Independent non-executive Director, Swiss citizen.

Appointed to the Board: March 2021. Chairman since: March 2021.

Education

Degrees in mechanical engineering and industry management from the Institute of Technology (ITA) in Switzerland, and in business management from the FAH / University of St. Gallen.

Experience

Chairman/Board member of Comet Holding AG (2019 – present). Founder and sole shareholder of Kundert Consulting Establishment (2005 – present). Ad interim CEO of Comet (2019 – 2021), Board member and CEO of VAT Group AG (2014 – 2019). Board member of Variosystems since 2019. Vice President of SEMI International, USA and President of SEMI Europe (2004 – 2014).. CEO of Unaxis (2002 – 2004), Several management positions at Oerlikon Bühler AG (1981 – 2002).

Committee memberships

None

Other activities and vested interests

None



Rolf Lanz

Vice - Chairman, Swiss citizen.

Appointed to the Board: December 2023.

Education

Master's degree in business administration and Ph.D. in economic science from the University of Zurich.

Experience

Managing Partner at CGS Management AG (since 2000). CEO and member of the Board of Directors at Medosan Holding AG (2000 – 1996). Manager finance and administration as well as member of the Board of Directors of certain subsidiaries of Zürcher Ziegeleien (1989 – 1996). Project Manager at UBS AG (1985 – 1989).

Committee memberships

Chair of the Nomination & Compensation Committee.

Other activities and vested interests

Chair of the Board of Directors of CGS Management AG (since 2007), CGS III Partner Ltd (Since 2016) and CGS IV Partners Ltd. (Since 2016). Chair of the Advisory Board of Top-Werk GmbH (since 2014). Member of the Executive Committee of Hummingbird Converting Solutions GmbH (since 2022) and Photonics Systems Holding GmbH (since 2022).

Corporate Governance



Beatrix Natter

Independent non-executive Director, Austrian citizen.

Appointed to the Board: December 2023.

Education

Engineering degree in technical physics as well as doctorate of technical sciences from the Vienna University of Technology. Postdoctorate research fellowship at Argonne National Laboratory in the U.S.

Experience

Self-employed power transmission business strategy consultant (since 2022). Executive Vice President for the business division Transmission at Siemens Energy (2020 – 2022). Executive Vice President for the business unit Transmission Products at Siemens AG (2018 – 2020). Vice President for the business unit Transformers at Siemens AG (2012 – 2018). Vice President Energy business unit Services for Industrial application, Oil & Gas at Siemens AG (2009 – 2012). Various positions within Siemens AG (1993 – 2009).

Committee memberships

Nomination and Compensation Committee

Other activities and vested interests

None



Gregor Greber

Independent non-executive Director, Swiss citizen.

Appointed to the Board: March 2021.

Education

Degree in business administration from KSZ, Kaderschule Zürich.

Experience

Co-Founder and Senior Partner at Veraison Capital AG (2014 – 2021). Founder CEO and Delegate of the Board of Directors at zRating AG (2014 – sold in 2015 to Inrate AG). Founder CEO and Delegate of the Board of Directors at zCapital AG (2008 – 2014). Head of Corporate Finance and member of executive management at Bank am Bellevue (2005 – 2008). Head of equities (Switzerland) and member of the executive management at Lombard Odier Darier Hentsch (2002 – 2005). Global head of equities (Switzerland) and Managing Director of Deutsche Bank in Zürich (1999 – 2002). Various positions at UBS and Julius Bär (prior to 1999).

Committee memberships

Audit & Risk Committee

Other activities and vested interests

Non-executive Director at Invenda Group AG (since 2021). Non-executive Director at Calida Holding AG (since 2020). Executive Director at Napa Wine AG and NapaGrill (since 2015).

Corporate Governance



Andreas Leutenegger

Independent non-executive Director, Swiss citizen.

Appointed to the Board: March 2021.

Education

Master's degree in business administration from the University of St. Gallen. Swiss Certified Public Accountant (CPA). Completed management program at Harvard Business School.

Experience

CFO and executive Vice President of Amann Girrbach AG (2019 – 2020). CFO and executive Vice President of VAT Group AG (2015 – 2019). Head of Group Controlling and senior Vice President of Holcim Group (2010 – 2015). CFO and senior Vice President at Siam City Cement Public Company Ltd (a subsidiary of Holcim Group in Thailand) (2004 – 2010). Corporate controller and Head of Corporate Reporting at Holcim Group (1994 – 2004). Audit manager at KPMG (prior to 1994).

Committee memberships

Chair of the Audit & Risk Committee

Other activities and vested interests

Non-executive Director at ATH PLM AG (since 2022). Chairman of Spicit Ventures GmbH (since 2022).

Corporate Governance

Changes to the Board of Directors in 2023

At the General Meeting of Shareholders held on 11 December 2023, all members of the Board of Directors were re-elected for a one-year term, except for Jennifer Maag, who stepped down as Vice-Chair and as a member of the Board of, and Christopher Detweiler, who stepped down as a member of the Board of Directors. Beatrix Natter and Rolf Lanz were elected as new members of the Board of Directors at the General Meeting held on 11 December 2023. Rolf Lanz was appointed Vice-Chair on 19 December 2023.

3.2 Board skills and experience

The Board of Directors uses the matrix below to assess the Board's skills and experience. A description of each skill is summarized below. The matrix does not encompass all knowledge, skills, experience or attributes of the Board.

	Board of Directors	CEO	CFO	Group Management	Legal / Audit / Compliance	Global Business	Strategic transformation	Nationality	Date appointment to the Board	Term of office at R&S (in years)	Age as per 31 December 2023
Heinz Kundert	+	+		+		+	+	CH	March 2021	1	71
Rolf Lanz	+	+	+	+		+	+	CH	December 2023	1	64
Beatrix Natter	+	+	+	+		+	+	AT	December 2023	1	63
Gregor Greber	+	+		+	+	+	+	CH	March 2021	1	56
Andreas Leutenegger	+	+	+	+	+	+	+	CH	March 2021	1	55

Criteria

Board of Directors:	Experience in serving in a listed entity or a large (private) entity as Board of Directors
CEO:	Experience in serving in a listed entity or a large (private) entity as CEO
CFO:	Experience in serving in a listed entity or a large (private) entity as CFO
Group Management:	Experience in serving in a listed entity or a large (private) entity as a member of the Group Executive Committee
Legal / Audit / Compliance:	Law degree, at least 5 years of experience in a senior legal, audit or compliance position, or senior audit function in one of the leading audit firms
Global Business:	Experience working in global organizations and assessing, prioritising and executing business expansion globally
Strategic transformation:	Experience in defining and driving strategic change, corporate restructuring and mergers and acquisitions

Corporate Governance

3.3 Elections and terms of office

The members of the Board of Directors are elected individually by the General Meeting for a one-year term of office, expiring after the completion of the next Annual General Meeting. Members whose term of office has expired are immediately eligible for re-election.

Except for the election of the Chair of the Board of Directors and the members of the Nomination and Compensation Committee by the Annual General Meeting, the Board of Directors constitutes itself. If the office of the Chair of the Board of Directors is vacant, the Board of Directors appoints a new Chair from among its members for the remaining term of office. If there are vacancies on the Nomination and Compensation Committee, the Board of Directors fills the vacancies from among its members for the remaining term of office.

3.4 Internal organization structure

The Board of Directors operates according to Swiss company law, the Company's Articles of Association and organizational rules. According to Swiss company law and the Articles of Association of R&S Group Holding AG, the Board of Directors has the following inalienable and non-delegable duties:

- to supervise the Company and issue any necessary directives;
- to determine the organization of the Company;
- to arrange the accounting, financial control and financial planning as necessary for the management of the Company;
- to appoint and remove the persons entrusted with the Company's management;
- to control those persons entrusted with the management of the Company, including in relation to compliance with applicable laws and regulations as well as instructions;
- to draw up the annual report and the compensation report of the Company, and to prepare the General Meeting and implement its resolutions; and
- to make any necessary notifications in the event of insolvency.

In line with these duties, the Board of Directors assumes responsibility for the overall strategy and direction, management supervision and control of the Company and the Group. The Board of Directors has established two committees to assist it in discharging its non-delegable duties, and has delegated the management of the Company and its oversight and control of the business to the Executive Committee under the leadership of the Chief Executive Officer.

Corporate Governance

In addition to the inalienable and non-delegable duties, the full Board of Directors has retained responsibility, in particular, for:

- preparing all topics that fall within the competence of the General Meeting (receiving support and advice from its committees, such as the Audit & Risk Committee in matters of financial reporting, dividend proposals and other capital management matters);
- deciding, based upon a recommendation from the Audit and Risk Committee, which external auditors to recommend for appointment by shareholders at the Annual General Meeting;
- approving any compensation plan within the Company which is linked to the shares of the Company; and
- succession planning relating to, and the appointment of, members of the Executive Committee, including the Chief Executive Officer.

The Board of Directors meets as often as business requires, but at least once per quarter. During the year under review the full Board of Directors held 15 meetings. Attendance of the members of the Board of Directors at the meetings of the Board of Directors was as follows:

	number of meetings / thereof attended
Heinz Kundert	15/15
Gregor Greber	15/15
Andreas Leutenegger	15/15
Christopher Detweiler ¹	14/14
Jennifer Maag ¹	14/14
Rolf Lanz ²	1/1
Beatrix Natter ²	1/1

¹ Christopher Detweiler and Jennifer Maag stepped down as members of the Board of Directors in December 2023.

² Rolf Lanz and Beatrix Natter were elected as new members of the Board of Directors in December 2023

The committees of the Board of Directors

The responsibilities and members of the current committees of the Board of Directors are as follows:

Audit & Risk Committee

The Audit & Risk Committee (ARC) consists of two members of the Board of Directors. The ARC supports the Board of Directors in monitoring accounting and financial reporting, supervises the external audit function, assesses the efficiency of the internal control system including risk management and compliance with legal and statutory provisions, and issues its opinions on transactions concerning equity and liabilities at R&S Group Holding AG. The ARC also decides whether the R&S Corporate Reports, comprising the consolidated financial statements of the R&S Group and the financial statements of R&S Group Holding AG, can be recommended to the Board of Directors for presentation to the Annual Shareholders' Meeting. At the request of the ARC, the external auditor also provides information on current questions related to upcoming changes in accounting and legal amendments. The Chairman of the Board of Directors is regularly invited to participate in meetings of the ARC.

Corporate Governance

Nomination & Compensation Committee

The Nomination & Compensation Committee (NCC) consists of two members of the Board of Directors. The focus in the area of compensation is on supporting the Board of Directors in setting compensation policy at the highest corporate level. It uses knowledge of internal and external compensation specialists about market data from comparable companies in Switzerland, in addition to publicly available data obtained on the basis of compensation disclosures. Furthermore, based on internal and external sources, common market practices and stakeholder expectations are continuously evaluated by the NCC. The NCC proposes to the Board of Directors the total amount of compensation to be paid to the entire Executive Committee. The focus in the area of nominations is on supporting the Board of Directors with succession planning and the selection of suitable candidates for the Board of Directors and the Executive Committee. The Chairman of the Board of Directors is regularly invited to participate in meetings of the NCC.

3.5 Executive Committee

The Executive Committee is chaired by the Chief Executive Officer, who is responsible, in particular, for formulating, developing and implementing the overall strategy for the Group, as approved by the Board of Directors, for establishing the organization of the Executive Committee itself, for overseeing the management of the Group, for representing the Executive Committee in its relationship with the Board of Directors and third parties, and for succession planning at the level of the Executive Committee.

Except where delegated by the Board of Directors to the Chief Executive Officer, and under the leadership of the Chief Executive Officer, the Executive Committee is delegated with ultimate responsibility for all of the day-to-day activities of the Group. The Chief Executive Officer has an overriding right to information concerning, and the right to examine, all business issues within the Group. The Chief Executive Officer has the power to override any decisions taken by the Executive Committee, notifying the Chair of the Board of Directors of any exercise of such power.

3.6 Information and control instruments regarding the Group Executive Committee

The Board of Directors has various information and control instruments regarding the Executive Committee. The Chief Executive Officer is responsible for ensuring an appropriate information flow to the Board of Directors and its Chair. Detailed monthly financial statements, semi-annual and annual financial statements and reports on business activities, key transactions and other matters to the Group are provided to each member of the Board of Directors.

The Chief Executive Officer and Chief Financial Officer regularly attend the meetings of the ARC and the NCC. The Board of Directors discusses and approves on an annual basis the budget for the following years, which then is regularly reviewed. The Board of Directors reviews the strategic direction of the Group on an annual basis.

Corporate Governance

3.7 Board Compensation

For the compensation paid to, and shareholdings of, the members of the Board of Directors, including the basic principles and elements of compensation and equity participation programmes and a description of the authorities and procedure for determining the same, as well as loans granted to those individuals, see our 'Remuneration Report', (pages 44-55) and article 5.4 of the Articles of Association, which can be found at <https://ir.the-rsgroup.com/documents/> .

Corporate Governance

4 Executive Committee

4.1 Members of the Executive Committee



Markus Laesser
Chief Executive Officer, Swiss citizen.

Education

Bachelor's degree in business administration from the Fachhochschule Nordwestschweiz. Completion of an advanced management program (SKU), program at the European School of Management and Technology and two executive programs at INSEAD.

Experience

Member of the R&S Group Executive Committee and CEO since 2021. CEO of International Cutting Group (2019 – 2021). Global head of sales at Oerlikon Mecto (2015 – 2018). CEO of Distrelec Group (2012 – 2015). Various senior positions at T-Systems International AG (2006 – 2012). Director of small and medium markets & partners at Microsoft (Schweiz) GmbH (2004 – 2005). Various management positions at IBM (Schweiz) AG (1994 – 2004).

Other activities and vested interests

Chair at Grimoba SA (since 1998), and at Hotel Lago di Lugano SA (since 1998). Non-executive Director at Codichem AG (since 2014) and Sinim SA (since 2015).



Matthias P. Weibel
Chief Financial Officer, Swiss citizen.

Education

Master's degree in accounting and finance and Ph.D. in business economics from the University of St. Gallen.

Experience

Member of the R&S Group Executive Committee and CFO since 2021. Managing Director at Raiffeisen Unternehmenszentrum (2017 – 2022). Group CFO at FAES AG (2005 – 2017), including FAES s.r.o, Czech Republic and FAES Inc., U.S. Senior consultant and competence area manager at ABB Schweiz AG (2000 – 2004).

Other activities and vested interests

Member of the Executive Committee of Swissmem. Non-executive Director at Durrer Spezialmaschinen AG (since 2017) and FAES Finanz AG (since 2005).

Corporate Governance

4.2 Management contracts

There are no management contracts between R&S Group Holding AG and companies (or individuals) outside the Group.

4.3 Members of the Executive Committee

For the compensation paid to, and shareholdings of, the members of the Executive Committee, including the basic principles and elements of compensation and equity participation programmes and a description of the authorities and procedure for determining the same, as well as loans granted to those individuals, see our 'Remuneration Report', (pages 44-55) and article 5.4 of the Articles of Association, which can be found at <https://ir.the-rsgroup.com/documents/>.

5 Shareholders participation rights

5.1 Voting-rights restrictions and representation

In relation to the Company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party or the independent representative at the General Meeting. The independent representative is elected by the General Meeting for a term of office until the next Annual General Meeting. The term of office expires after completion of the Annual General Meeting. Re-election is possible. If the Company does not have an independent representative, the Board of Directors appoints the independent representative for the next General Meeting.

The 2023 General Meeting elected Paul Bürgi, Attorney-at-Law, Mühlebachstrasse 8, 8024 Zurich, Switzerland, as Independent Representative for a term of office until the end of the 2024 Annual General Meeting.

There are no voting rights restrictions. Each share entitles its holder to one vote.

5.2 Statutory quorums

Except where otherwise required by mandatory law and/or by article 4.6 of the Articles of Association (which can be found at <https://ir.the-rsgroup.com/documents/>), all resolutions of the General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

Convocation of the General Meeting

The convocation of the General Meeting complies with applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 5% of the share capital. The Board of Directors must convene the request of the General Meeting within 60 days of receiving the request. The request must be made in writing, including full details of the proposals.

Corporate Governance

Agenda

Shareholders representing 0.5% of shares may demand that matters be put on the agenda for a General Meeting of shareholders. Such requests must be submitted in writing to the Company at least 40 days before the date of the respective General Meeting and include full details of the proposals.

5.3 Registrations in the share register

In the invitation to a General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register in order to be eligible to participate and vote at the meeting. Further information related to the Company's share register can be found at <https://ir.the-rsgroup.com/shareholder-registry/>.

6 Change of control and defence measures

6.1 Duty to make an offer

Pursuant to the Swiss Financial Market Infrastructure Act, any investor who acquires more than 33.33% of all voting rights, either directly, indirectly or in concert with a third party, and whether the rights are exercisable or not, has to submit a take-over offer for all shares outstanding. R&S Group Holding AG has not applied to opt out of, or to increase, the percentage threshold applicable to this obligation.

6.2 Clauses on change of control

There are no provisions in favor of the members of the Board of Directors and/or the Group Executive Committee under their mandates or contracts of employment in the event of a change of control.

7 Auditors

7.1 Duration of mandate and term of office of lead auditor

In accordance with the Articles of Association, the external auditor must be elected by the General Meeting for a term of office of one year. Deloitte AG has been the statutory auditor of the Company since the General Meeting on 24 March 2021. Christophe Aebi assumed the role of lead auditor for the financial year 2023, and also lead the independent audit of the 2020-2022 consolidated financial statement of R&S International Holding AG. The lead auditor may hold this engagement for a maximum of seven consecutive years.

7.2 External auditing and additional fees

Services provided by Deloitte AG to the Group comprise auditing and non-auditing services, the latter consisting of audit-related services and other services.

Corporate Governance

Auditing services include work performed to issue opinions on the Group's consolidated financial statements, the existence of the Group's internal control system over the financial reporting, and the statutory financial statements of R&S Group Holding AG and its subsidiaries. Also included is work that generally can only be performed by the statutory auditor.

Audit-related services include those other assurance services provided by the independent auditor but not restricted to those that can only be provided by the statutory auditor. Tax services represent tax compliance and other tax-related services. Other services include mainly services in connection with the buy-side due diligence.

The Group paid Deloitte AG fees for auditing services totalling approximately CHF 932.5 thousand in the FY 2023 (CHF 50 thousand in the FY 2022), of which CHF 610 thousand for the independent audit of consolidated financial statements 2020-2022 and CHF 185 thousand for the audit 2023. In addition, in FY 2023 CHF 220 thousand was charged for audit-related services regarding the initial business combination (CHF 75 thousand was charged in FY 2022 for IPO services). For non-auditing services, the Group paid Deloitte AG fees totalling CHF 233 thousand in FY 2023 for due diligence (no fees were paid in the FY 2022). Except for the aforementioned service, no additional fees were incurred during the FY 2023 for other professional services, unrelated to the audit activities, such as tax compliance services, non-statutory and other assurance services.

7.3 Information instruments pertaining to the external audit

In order to ensure Independence of the auditor, the Audit & Risk Committee (ARC) of the Board of Directors pre-approves the fee amounts for audit and non-audit related services rendered by Deloitte AG to the Group. Any use of Deloitte AG by the Group for non-audit work is overseen by the ARC.

Furthermore, the ARC confers regularly with the lead auditor of Deloitte AG about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the ARC at all times and participate at every regular quarterly meeting of the ARC.

8 Information policy

R&S Group Holding AG provides regular information to its shareholders and the public by means of the annual report as well as a half-year report. Additional ad-hoc publications are made where they are considered appropriate or where required under applicable law or regulation. Published materials are available to the public in electronic form (subscription to R&S Group Holding AG's news alert for corporate information and ad-hoc publications is possible under <https://ir.the-rsgroup.com/stay-informed/>) as well as in print form from the address mentioned in section 8.2 below.

Corporate Governance

8.1 Corporate calendar

28 May 2024	Annual General Meeting 2024
24 July 2024	Trading update half-year sales
11 September 2024	Half-year results 2024

8.2 Contacts

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Further Information

Our website provides further information on R&S Group Holding AG, including share price data, media releases, historical annual reports and an events calendar: www.the-rsgroup.com

9 Blackout periods

Trading in R&S Group Holding AG shares by the members of the Board of Directors, Group Executive Committee and other persons with access of material inside information of the Company and its subsidiaries is not permitted ahead of the release of the Company's full and half-year results or additional interim management statements. Trading blackout periods commence on 30 June and 31 December in each calendar year and last until and including the second trading day after publication of R&S Group Holding AG's half and full-year results or interim management statements respectively.



"One of our objectives at ZREW is to support the development of renewable energy in Poland and our export markets. Our efficient power transformers can play an important role in transporting green energy to European consumers. In 2023 we adapted our capabilities and product designs to meet the needs of this segment, and in the last 2 years, about 60% of ZREW's orders have come from the renewables segment."

Grzegorz Soltysiak, Managing Director ZREW Transformatory S.A, Poland

Remuneration Report

Remuneration Report

I Introduction

This compensation report describes the compensation principles and programs as well as the governance framework related to the compensation of the Board of Directors and the Executive Committee of R&S Group Holding AG and its predecessor VT5 Acquisition Company AG ("VT5"), considering their initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023 and the subsequent listing of R&S Group Holding AG on the SIX Swiss Exchange on 13 December 2023.

The report provides information on the compensation plans and payments to the Board of Directors and the Executive Committee in the 2023 financial year, which started on 1 November 2022 and ended on 31 December 2023, accounting for the transition of VT5's financial year (*1 November to 31 October*) to R&S Group's financial year (*1 January to 31 December*). Therefore, the 2023 financial year encompasses 14 months, compared to 12 months in the previous year. In the context of the initial business combination and the listing of R&S Group Holding AG, the compensation system of the Board of Directors and of the Executive Committee is being adjusted. Some of the changes have been implemented as of December 2023, others will become applicable as of the financial year 2024. All changes are outlined in detail in this report.

The report is written in accordance with the Swiss Code of Obligations, the Directive Corporate Governance and related provisions by the SIX Exchange Regulation, the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*, as well as R&S Group's Articles of Association.

Remuneration Report

2 Compensation governance

2.1 Principles and responsibilities

The guiding principles for the compensation of the Board of Directors and the Executive Committee as well as the responsibilities for the compensation system of the Company are defined in the Articles of Association of R&S Group Holding AG. They can be found online and include the following provisions (https://ir.the-rsgroup.com/media/document/7f645651-8417-4db9-a8f4-1f06a144f5b7/assets/Power_KE3_Statuten.pdf?disposition=inline?disposition=inline):

- Principles of Remuneration, Reimbursement of Expenses (article 5.4);
- Nomination & Compensation Committee ("NCC") (article 5.5);
- Loans and Credits (article 5.6);
- Additional Mandates (article 5.7);
- Employment and Mandate Contracts (article 5.8);
- Pension Payments Outside the Occupational Pension Scheme (article 5.9); and
- Approval of Compensation in the Shareholders' Meeting (article 5.10).

The Board of Directors submits annually the maximum aggregate compensation of the Board of Directors and the Executive Committee to the Annual Shareholders' Meeting for binding approval. Such approval is (i) prospective for the term of office until the following Annual Shareholders' Meeting for the Board of Directors, and (ii) prospective for the next financial year for the Executive Committee. In case the maximum aggregate compensation of the Executive Committee is insufficient to compensate members of the Executive Committee appointed between the resolution of the Annual Shareholders' Meeting and the beginning of the subsequent approval period, the Company may use per person an additional amount of not more than 40% of the previously approved maximum aggregate compensation of the Executive Committee. The Annual Shareholders' Meeting does not vote on the additional amount used. The Board of Directors submits annually the Compensation Report to the Annual Shareholders' Meeting for a consultative vote.

2.2 Nomination & Compensation Committee (NCC)

The NCC consists of at least two members. The NCC members are individually elected by the Annual Shareholders' Meeting for a term of one year ending at the conclusion of the next Annual Shareholders' Meeting. Re-election is possible. The Board of Directors appoints the NCC chair.

The NCC currently consists of Rolf Lanz (Chair) and Beatrix Natter (Member). They were elected at the Extraordinary Shareholders' Meeting of VT5 on 11 December 2023, replacing Jennifer Maag (Chair) and Christopher Detweiler (Member) who stepped down from the Board of Directors on that day. Rolf Lanz and Beatrix Natter were elected for a term of office ending at the Annual Shareholders' Meeting in 2024.

Remuneration Report

The NCC has the following duties:

- Preparation and periodic review of the compensation policy and principles, the compensation programmes and the performance criteria for the incentive plans.
- Preparation of all relevant decisions of the Board of Directors regarding compensation of the members of the Board of Directors and the Executive Committee.

In line with the Articles of Association and the decisions of the Annual Shareholders' Meeting, the compensation strategy and the related compensation system for the members of the Board of Directors and the Executive Committee are determined by the Board of Directors based on proposals by the NCC. The Board of Directors also decides on the individual compensation of the members of the Board of Directors and the Executive Committee within the limits set by the Annual Shareholders' Meeting.

Levels of authority

	NCC	Board of Directors	Annual Shareholders' Meeting
Compensation policy and principles	Proposes / recommends	Approves	
Maximum aggregate compensation amounts of Board of Directors & Executive Committee	Proposes	Recommends	Approves (binding vote)
Compensation of Board of Directors Chair	Proposes / recommends	Approves	
Individual compensation of Board of Directors members	Proposes / recommends	Approves	
Compensation of CEO	Proposes / recommends	Approves	
Individual compensation of Executive Committee	Proposes / recommends	Approves	
Compensation report	Proposes / recommends	Approves	Consultative vote

The NCC meets as often as business requires but at least two times a year. In the reporting year, it met four times, with all committee members attending all meetings. Upon invitation by the NCC chair, Executive Committee may also attend all or part of the meetings in an advisory capacity as appropriate. However, they do not attend the meetings or parts of the meetings where their own performance and/or compensation are being discussed.

Remuneration Report

The NCC chair reports to the Board of Directors on the committee's current topics of discussion and decisions as considered relevant and necessary but after each NCC meeting as a minimum. The minutes of the committee meetings are made available to all members of the Board of Directors. The NCC may occasionally consult external advisors on specific compensation matters. In the reporting year, PricewaterhouseCoopers (PwC) was mandated to provide consulting services related to executive compensation matters. Apart from that, no other services were provided by PwC to VT5 or R&S Group, respectively. No other external advisors were consulted in the reporting year.

3 Compensation of the Board of Directors

3.1 Principles and structure

The compensation of the members of the Board of Directors is designed to be reasonable and competitive, taking into account the responsibilities, time and effort required to perform their roles within the board and its committees. Compensation is fixed and may be paid in the form of cash and/or equity.

During their terms of office at VT5, all members of the Board of Directors were founders of the Company and decided not to receive any compensation for their board function. With the initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023, the duties and composition of the Board of Directors changed and, in this course, compensation of CHF 220 thousand was approved by the Extraordinary Shareholders' Meetings for the Board of Directors for the remaining period up to the Annual Shareholders' Meeting 2024.

In this context, a new compensation model was determined for the Board of Directors, applicable as of 1 January 2024. An annual board retainer is paid to the chair, vice-chair and other members of the Board of Directors, with additional fees payable for committee chairs and members. Compensation is paid for the annual board term starting with the election at the Annual Shareholders' Meetings and is delivered in quarterly installments. All fees are delivered in cash.

Board fees – financial year 2024

in TCHF (gross)

	Board retainer	Committee fees
Chair of the Board of Directors	127	0
Vice-chair of the Board of Directors	67	0
Member of the Board of Directors	67	0
Chair of a committee	0	15
Member of a committee	0	10

Remuneration Report

3.2 Compensation awarded for the financial years 2023 and 2022 (audited)

This section includes the information in accordance with articles 734a-c of the Swiss Code of Obligation, and is audited.

For the financial year 2023 (1 November 2022 to 31 December 2023), no members of the Board of Directors received compensation. For the financial year 2022 (1 November 2021 to 31 October 2022), no members of the Board of Directors received any compensation.

Compensation – financial year 2023 <i>in TCHF (gross)</i>	Board retainer	Committee fees	Social security	Total
Heinz Kundert, chair	0	0	0	0
Jennifer Maag, vice-chair ¹	0	0	0	0
Rolf Lanz, vice-chair ²	0	0	0	0
Andreas Leutenegger, member ³	0	0	0	0
Gregor Greber, member	0	0	0	0
Christopher Detweiler, member ¹	0	0	0	0
Beatrix Natter, member ²	0	0	0	0
Total	0	0	0	0

¹ Until Extraordinary Shareholders' Meeting on 11 December 2023.

² Since Extraordinary Shareholders' Meeting on 11 December 2023.

³ Executive member of the Board of Directors until initial business combination approved at Extraordinary Shareholders' Meeting on 11 December 2023.

Compensation – financial year 2022 <i>in TCHF (gross)</i>	Board retainer	Committee fees	Social security	Total
Heinz Kundert, chair	0	0	0	0
Jennifer Maag, vice-chair	0	0	0	0
Andreas Leutenegger, member and CEO ¹	0	0	0	0
Gregor Greber, member	0	0	0	0
Christopher Detweiler, member	0	0	0	0
Total	0	0	0	0

¹ Executive member of the Board of Directors, see section on Executive Committee for compensation for his role as CEO.

In the reporting year, no compensation was paid to former members of the Board of Directors or to parties closely related to members of the Board of Directors.

In accordance with article 5.6 of the Articles of Association, no loans and credits are granted to members of the Board of Directors. As such, no loans and credits were granted during – or were outstanding at the end of the reporting year.

Remuneration Report

4 Compensation of the Executive Committee

4.1 Principles and structure

Principles

The compensation of the members of the Executive Committee is designed to be reasonable, competitive, performance-oriented and consistent with the strategic goals of the Company and the long-term interests of the shareholders, fostering attraction, motivation and retention of the best talents. Fixed compensation is complemented by a performance-based variable component. Compensation may be paid in cash and/or equity.

Under VT5, members of the Executive Committee were compensated exclusively in the form of a fixed base salary in cash. In the course of the initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023, the responsibilities and composition of the Executive Committee changed, having an impact on compensation structure and levels.

Two new full-time Executive Committee members were appointed, namely Markus Laesser (CEO) and Matthias Weibel (CFO), replacing Andreas Leutenegger (CEO), Anke Gerding (CFO) and Doris Rudischhauser Chief Communication Officer (CCO), who stepped down from the Executive Committee on 11 December 2023. In this context, the original maximum aggregate compensation amount of CHF 300 thousand, covering the period from 1 November 2022 to 31 October 2023, was increased upon approval by the Extraordinary Shareholders' Meeting to CHF 360 thousand for the period until 31 December 2023, accounting for the extension of the financial year by two months and for the compensation of the two newly appointed Executive Committee members. For this period, all Executive Committee members stepping down on 11 December 2023 were paid a fixed base salary only, while Markus Laesser and Matthias Weibel are eligible to a short-term incentive (STI).

For the financial year 2024, a maximum aggregate compensation amount for the Executive Committee of CHF 1'400 thousand has been approved by the Extraordinary Shareholders' Meeting on 11 December 2023. In this context, and upon a comparison of the compensation structure with four selected industry peers (Carlo Gavazzi, Phoenix Mecano, Schaffner and Tornos), the Board of Directors determined a new compensation model for the Executive Committee, applicable as of 1 January 2024, balancing fixed and variable compensation and combining short-term and long-term perspectives. The current system and the new system are described below.

Annual base salary

The annual base salary is the fixed compensation reflecting the scope and key areas of responsibility of the function, the skills required to fulfil the function and the individual experience and competencies of the Executive Committee.

Remuneration Report

Short-term incentive

The STI is an annual bonus paid in cash, depending on the level of achievement of pre-defined objectives measured over a one-year performance period. For the financial year 2023, the STI is structured as follows. For the CEO, there are financial objectives measured on group level, including order intake (25% weight), EBITDA (30% weight), EBITDA margin (15% weight), operating cash flow (15% weight) and prepayments (15% weight). For the CFO, there is a mix of financial objectives measured on group level, including EBITDA (25% weight), net working capital (20% weight), net financial position (10% weight), operating cash flow (15% weight) and prepayments (10% weight), and strategic objectives measured on individual level (20% weight). Those objectives systematically unite top-line, bottom-line and cash flow considerations with specific strategic goals, being key drivers of value creation for the Company. For each objective, the Board of Directors sets a threshold level of performance below which there is no payout, a target level of performance which provides for a 100% payout factor, as well as the payout formula for performance achievements between the threshold and the target and above the target. The weighted average of the payout factors for each performance objective provides for the overall payout factor for the STI. The Board of Directors evaluates the performance achievement and determines the overall payout factor after the end of the financial year. The bonus is delivered as one-off payment in the first quarter of the following financial year.

The STI "at target" (which means assuming a payout factor of 100%) amounts to 44.4% of annual base salary for the CEO and 42.9% of annual base salary for the CFO.

The STI will be amended for the financial year 2024. In particular, for the CEO and CFO, the financial objectives will newly include revenue growth, EBIT margin and free cash flow margin, being equally weighted and measured at Group level. The maximum possible payout factor will correspond to 200% of target (cap). Further details will be provided in the compensation report 2024.

Long-term incentive

There is no long-term incentive (LTI) in place for the financial year 2023. A one-time plan covering the cycle from 1 January 2024 (grant) to March 2025 (vesting) will be implemented in financial year 2024. Under the plan, performance share units (PSU) will be granted subject to a vesting period with specific service and performance conditions. The pre-defined performance targets will be measured over the one-year performance period starting on 1 January and ending on 31 December 2024 and include revenue growth, EBIT margin and free cash flow margin, equally weighted. For each performance condition, the Board of Directors set a threshold level of performance, below which there is no vesting, a target level of performance that corresponds to a vesting level of 100% (one PSU provides for one share at vesting) and a maximum level of performance providing for a vesting level of 200% (one PSU provides for two shares at vesting), with linear interpolation inbetween. As of the actual share transfer, the shares are subject to a two-year blocking period during which they cannot be disposed of, sold, donated, pledged or transferred in any other way (i.e., restricted shares). Unvested PSU forfeit in case of termination by the Company for cause or

Remuneration Report

voluntary resignation by the employee. In the case of death, the PSU vest immediately at 100% and are settled in cash. In the case of a change of control, all unvested PSU vest immediately at 100% without any subsequent blocking period for the shares. Unvested PSU continue to vest normally in all other instances. Furthermore, the LTI is subject to malus and clawback provisions in case of fraud or gross misconduct, financial restatement due to material misstatement, erroneous awards, behaviour leading to censure by a regulatory authority, material failure of risk management, or in the course of insolvency and related corporate failure leading to material share price reductions. Further details around the LTI that will be granted in financial year 2024 will be provided in the compensation report 2024.

Expense allowance

Executive Committee members are eligible to a monthly lump-sum expense allowance.

Pension and insurance

The pension fund and insurance are designed to provide a reasonable level of protection in respect to the risk of retirement, disability, death, and illness. The members of the Executive Committee are insured in the company occupational pension plan applicable to all other employees in Switzerland.

Benefits and perquisites

Except for the expense allowance and the pension and insurance benefits outlined above, the Executive Committee members do not receive any particular additional benefits or perquisites.

4.2 Employment contracts

The contracts of employment of the members of the Executive Committee are concluded for an unlimited duration of time and may be terminated with 6 months' notice. The employment contracts are subject to non-competition provisions during employment as well as for a period of 12 months after the end of employment, which do not entitle to any compensation. Contracts of employment do not include severance compensation or change of control clauses.

4.3 Compensation awarded for the financial years 2023 and 2022 (audited)

This section includes the information in accordance with articles 734a-c of the Swiss Code of Obligation, and is audited.

For the financial year 2023 (1 November 2022 to 31 December 2023), the total compensation of the Executive Committee amounted to CHF 180 thousand, comprising base salary, variable compensation and other compensation (incl. benefits as well as social security and pension contributions). This total amount was within the maximum aggregate compensation amount for the Executive Committee of CHF 360 thousand approved by shareholders. Base salary made up 83%, variable compensation 7% and other compensation 10% of total compensation. The highest-paid member of the Executive Committee was the former CCO, receiving a total compensation of CHF 76 thousand, with base salary making up 88% and other compensation 12% of total compensation.

Remuneration Report

Compensation – financial year 2023

	Base salary	Variable compensation	Other compensation ³	Total compensation
<i>in TCHF (gross)</i>				
Total compensation of members of the Executive Committee ¹	150	12	18	180
Doris Rudischhauser, CCO ²	67	0	9	76

¹ The balance includes the compensations for former VT5 executives Anke Gerding (CFO) and Doris Rudischhauser (CCO) for the period from 01.11.2022 to 13.12.2023, and the compensation of the current executives Markus Laesser (CEO) and Matthias Weibel (CFO) for the period from 13.12.2023 to 31.12.2023.

² Highest-paid member of the Executive Committee.

³ Includes social security contributions to the extent that they result in a pension entitlement. Additional contributions that do not result in an increase of the pension entitlement are excluded (additional contributions excluded from the amount above TCHF 2.)

For the financial year 2022 (1 November 2021 to 31 October 2022), the CEO as a founder and member of the Board of Directors did not receive any compensation, while the total compensation for the remaining members of the Executive Committee amounted to CHF 136 thousand, comprising base salary as well as social security and pension contributions. This total amount was within the maximum aggregate compensation amount for the Executive Committee of CHF 200 thousand approved by shareholders. The highest-paid member of the Executive Committee was the CFO, receiving a total compensation of CHF 69 thousand.

Compensation – financial year 2022

	Base salary	Social security and pension contributions ³	Total compensation
<i>in TCHF (gross)</i>			
Total compensation of members of the Executive Committee ¹	116	20	136
thereof Anke Gerding, CFO ²	60	9	69
thereof Doris Rudischhauser, CCO	56	11	67

¹ The resigning CEO, Andreas Leutenegger, did not receive any compensation as he is a founder and member of the Board of Directors.

² Highest-paid member of the Executive Committee, as base salary includes TCHF 4 of overtime accruals not yet paid-out at time of reporting.

³ Includes employer social security contributions to the extent they result in a future benefit entitlement.

Remuneration Report

The increase in compensation for financial year 2023 compared to financial year 2022 is due to the fact that the financial year 2023 was extended to 14 months (compared to 12 months in financial year 2022) and that the composition and scope of responsibilities of the Executive Committee changed with the initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023.

In the reporting year, no compensation was paid to former members of the Executive Committee or to parties closely related to members of the Executive Committee.

In accordance with article 5.6 of the Articles of Association, no loans and credits are granted to members of the Executive Committee. As such, no loans and credits were granted during or outstanding at the end of the reporting year.

5 Shareholdings (audited)

This section includes the information in accordance with articles 734d of the Swiss Code of Obligation, and is audited.

Upon the initial business combination, the Extraordinary Shareholders' Meeting on 11 December 2023 approved the creation of one single category of shares (A-Shares). In this course, the holders of the 1'764'706 founder shares issued at Incorporation of VT5 for CHF 2.00 per share received A-Shares instead and the previous preferential rights associated with A-Shares were abolished.

5.1 Board of Directors

As of 31 December 2023, the members of the Board of Directors held shares as follows (sequence according to the number of shares held):

Name	Shares (A-Shares)	Warrants
Gregor Greber	718'273	0
Heinz Kundert (via Kundert Consulting Establishment)	534'706	0
Andreas Leutenegger	514'706	0
Rolf Lanz ¹	200'000	10'000
Beatrix Natter ¹	2'000	0

¹ Since Extraordinary Shareholders' Meeting on 11 December 2023.

Remuneration Report

As of 31 October 2022, the members of the Board of Directors held shares and equity instruments as follows:

Name	Founder Shares (Stammaktien)	A-Shares (Vorzugsaktien)	Warrants
Gregor Greber	588'236	10'000	0
Heinz Kundert (via Kundert Consulting Establishment)	314'706	0	0
Andreas Leutenegger	314'706	0	0
Christopher Detweiler	294'118	0	0
Jennifer Maag	205'882	0	0

5.2 Executive Committee

As of 31 December 2023, the members of the Executive Committee held shares as follows:

Name	Position	Shares (A-Shares)	Warrants
Markus Laesser ¹	CEO	100'000	0
Matthias Weibel ¹	CFO	100'000	0

¹ Appointed in the course of the initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023.

As of 31 October 2022, the members of the Executive Committee held shares and equity instruments as follows:

Name	Position	Founder Shares (Stammaktien)	A-Shares (Vorzugsaktien)	Warrants
Andreas Leutenegger	CEO	314'706	0	0
Doris Rudischhauser	CCO	0	10'002	3'334
Anke Gerding	CFO	0	6'000	2'000

Remuneration Report

6 External mandates (audited)

This section includes the information in accordance with articles 734e of the Swiss Code of Obligation, and is audited.

6.1 Board of Directors

As of 31 December 2023, the members of the Board of Directors held the following external mandates:

Name	Company/Organisation	Comparable Function
Heinz Kundert	Comet AG	Chairman
	Variosystems AG	BoD Member
	Kundert Consulting Establishment	Chairman
Rolf Lanz ¹	CGS Management AG	Chairman
	Top-Werk GmbH	Chairman
	Hummingbird Converting Solutions GmbH	EC Member
	Photonics System Holding GmbH	EC Member
	CGS III Partners Ltd	Chairman
Andreas Leutenegger	CGS IV Partners Ltd	Chairman
	ATH PLM AG	BoD Member
Gregor Greber	Spicit Ventures GmbH	Chairman
	Calida Holding AG	BoD Member
	Invenda Group AG	BoD Member
Beatrix Natter ¹	Napa Wine AG and NapaGrill	Chairman
	None	None

¹ Since Extraordinary Shareholders' Meeting on 11 December 2023.

6.2 Executive Committee

As of 31 December 2023, the members of the Executive Committee held the following external mandates:

Name	Company/Organisation	Comparable Function
Markus Laesser ¹	Grimoba SA	Chairman
	Hotel Lago di Lugano SA	Chairman
	Codichem AG	BoD Member
	Sinim SA	BoD Member
Matthias Weibel ¹	Swissmem	EC Member
	Durrer Spezialmaschinen AG	BoD Member
	FAES Finanz AG	BoD Member

¹ Appointed in the course of the initial business combination approved at the Extraordinary Shareholders' Meeting on 11 December 2023.

Report on the Audit of the Remuneration Report according to Art. 734a-734f CO

Report of the statutory auditor

To the General Meeting of

R&S GROUP HOLDING AG, FREIENBACH

Report on the Audit of the Remuneration Report

Opinion

We have audited the remuneration report of R&S Group Holding AG (formerly VT5 Acquisition Company AG) (the Company) for the period from 1 November 2022 to 31 December 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables "3.2 Compensation awarded for the financial years 2023 and 2022", "4.3 Compensation awarded for the financial years 2023 and 2022", "5 Shareholdings" and "6 External mandates" marked "audited" of the remuneration report.

In our opinion, the information pursuant to Art. 734a-734f CO in the remuneration report complies 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 Responsibility for the Audit of the Remuneration Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

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

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

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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 Remuneration Report

The Board of Directors is responsible for the preparation of a remuneration report 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 a remuneration report that is free from material misstatement, whether due to fraud or error. It is also charged with structuring the remuneration principles and specifying the individual remuneration components.

Auditor's Responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is 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 this remuneration report.

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

- Identify and assess the risks of material misstatement in the remuneration report, 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.

We communicate with the Board of Directors and/or its relevant committee 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.

We also provide the Board of Directors and/or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Deloitte AG



Christophe Aebi

Licensed Audit Expert

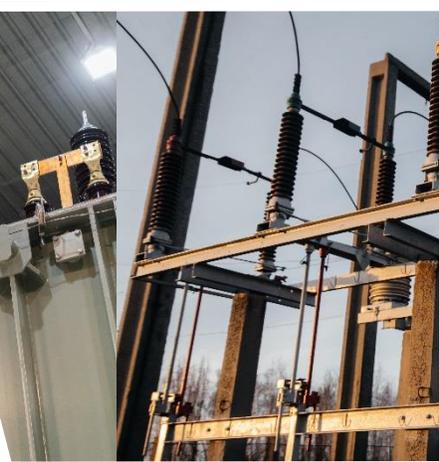
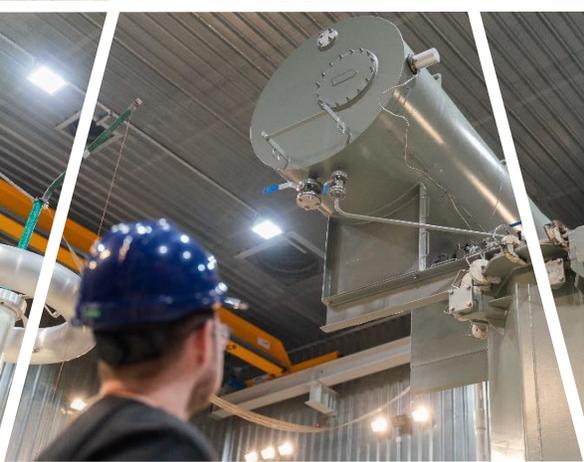
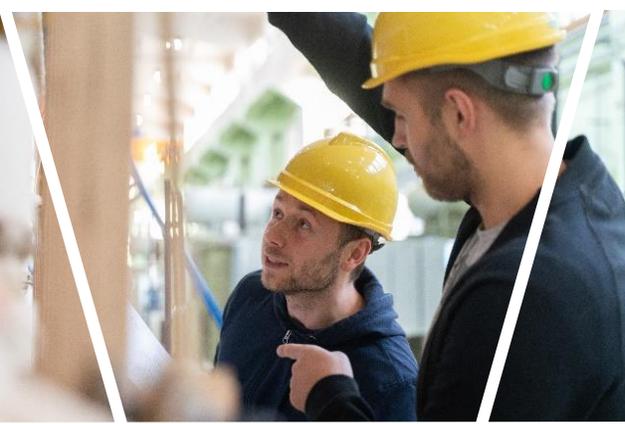
Auditor in Charge



Dominik Voegtli

Licensed Audit Expert

Zurich, 16 April 2024



Consolidated financial statement as of 31 December 2023

Consolidated profit & loss statement per 31 December 2023

(with comparatives from prior year)

	Notes	2023 TCHF	2022 TCHF
Net sales	4	216'907	155'114
Changes in semi- / finished goods		-114	4'684
Other operating income	5	691	127
Operating income		217'485	159'926
Material costs		-124'226	-105'310
Personnel costs	6	-38'413	-32'561
Operating expenses	7	-13'891	-11'507
Other operating expenses ¹	8	-9'938	-640
Operating result before amortisation and depreciation (EBITDA)		31'017	9'908
Depreciation of tangible assets and amortisation of intangible assets	16	-2'332	-2'229
Operating result (EBIT)		28'684	7'678
Financial result	9	-9'572	-1'655
Profit before income taxes		19'112	6'023
Tax expenses	10	-7'478	-1'771
Profit		11'634	4'252
Basic earnings per share in CHF	11	0.40	0.15
Diluted earnings per share in CHF	11	0.40	0.15

¹ Other operating expenses include CHF 9.5 million loss on disposal of SERW Spol. S.r.o. after goodwill recycling under Swiss GAAP FER 30.17 (refer to Note 30)

Consolidated financial statement as of 31 December 2023

Consolidated balance sheet per 31 December 2023

	Notes	31.12.2023 TCHF	31.12.2022 TCHF
Assets			
Cash and cash equivalents		52'999	21'527
Accounts receivable	12	29'864	20'279
Other short-term receivables	13	2'569	650
Inventories	14	31'663	44'084
Prepaid expenses		761	754
Total current assets		117'856	87'295
Tangible assets	16	18'791	18'964
Financial assets	17	1'975	3'499
Intangible assets	16	597	730
Total non-current assets		21'363	23'193
Total assets		139'219	110'488
Liabilities and equity			
Liabilities			
Short-term financial liabilities	17	12'629	14'850
Accounts payable		30'812	30'030
Other short-term liabilities	18	14'391	8'272
Short-term provisions	19	7'470	3'224
Accruals	20	1'730	1'356
Total current liabilities		67'032	57'731
Long-term financial liabilities	17	33'690	2'000
Pension liability	21	712	774
Long-term provisions	19	3'947	4'219
Total non-current liabilities		38'349	6'992
Total liabilities		105'381	64'724
Equity			
Share capital	22	2'893	44'822
Capital reserves		48'415	5'835
Own shares	22	-10'000	0
Accumulated losses		-3'881	-2'372
Cumulative currency translation reserve		-3'589	-2'521
Total equity		33'838	45'764
Total Liabilities and equity		139'219	110'488

Consolidated financial statement as of 31 December 2023

Consolidated cash flow statement per 31 December 2023

	Notes	2023 TCHF	2022 TCHF
Profit of the year		11'634	4'252
Amortisation and depreciation	16	2'332	2'229
Profit (-)/Loss (+) on sale of tangible assets	8	-3	4
Change in provisions/reserves	19	6'167	1'495
Other non-cash items	30	5'520	0
Cash flow from operating activities before changes in net working capital		25'650	7'980
Change in inventories	14	6'766	-14'714
Change in accounts receivable		-12'422	-3'004
Change in other receivables and prepaid expenses		7'617	-260
Change in accounts payable		2'173	12'439
Change in other current liabilities and accruals		8'269	1'271
Cash flow from operations		38'053	3'712
Investments in tangible assets	16	-5'233	-3'665
Divestments of tangible assets	16	75	40
Investments in financial assets	15	-7	-62
Divestments of financial assets	15	689	0
Investments in intangible assets	16	-326	-216
Cash flow from investment activities		-4'801	-3'903
Free cash flow		33'252	-191
Issuance (+)/repayment (-) of short-term financial liabilities	17	-8'629	3'594
Issuance (+)/repayment (-) of long-term financial liabilities	17	1'792	-3'476
Cash flow from financing activities		-6'837	118
Change in consolidation group	1	5'540	0
Exchange rate impact		-483	-857
Net change in cash		31'472	-930
Cash and cash equivalents at 01.01.		21'527	22'457
Cash and cash equivalents at 31.12.		52'999	21'527
Change in cash and cash equivalents		31'472	-930

Consolidated financial statement as of 31 December 2023

Consolidated statement of changes in equity per 31 December 2023

	Share capital	Capital reserve	Own shares	Exchange rate impact	Accumulated losses	Total
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
As of 31.12.2021	44'822	5'835	0	-1'034	-6'624	42'999
Net profit 2022					4'252	4'252
Exchange rate impact				-1'487		-1'487
As of 31.12.2022	44'822	5'835	0	-2'521	-2'372	45'764
Net profit 2023					11'634	11'634
Exchange rate impact				-1'068		-1'068
Reclassification due to business combination	-41'929	41'929				0
Own shares acquired in business combination			-10'000			-10'000
Offsetting of Goodwill from business combination					-17'678	-17'678
Recycling of SERW goodwill ¹					5'520	5'520
Recycling of SERW Cumulative currency translation reserve					-984	-984
Share Based Payment		651				651
As of 31.12.2023	2'893	48'415	-10'000	-3'589	-3'881	33'838

¹ Goodwill recycling upon disposal of SERW Spol. S.r.o. under Swiss GAAP FER 30.17 (refer to Note 30)

Notes to the Financial Statements as of 31 December 2023**Notes to the financial statements****I Principles of group accounting, consolidation scope and method**

The annual financial statements of R&S Group Holding AG ("the Company") have been prepared in accordance with the entire Swiss GAAP FER accounting recommendations (status 1 January 2023) and comply with Swiss law. The consolidated financial statements present a true and fair view of the financial position, cash flows and the result of operations and are based on historical costs with the exception of marketable securities at fair value.

The financial statements are presented in CHF 1'000 thousand. Due to the chosen number format, minor rounding differences may arise.

These financial statements have been prepared on the basis that the Company will continue as a going concern.

These financial statements were authorized for issue by the Board of Directors on 16 April 2024.

Consolidation scope and method

On 11 December 2023, the Shareholders Meeting of the SIX-listed Special Purpose Acquisition Company ("SPAC"), VT5 Acquisition Company AG, approved the Initial Business Combination ("IBC"), and, the acquisition of 100% of the shares of R&S International Holding AG ("RSI") and its subsidiaries for a total purchase consideration of CHF 274 million, consisting of a cash payment of CHF 203.6 million and the issuance of 7.0 million own shares valued CHF 70.4 million. Subsequent to the acquisition, VT5 Acquisition Company AG changed its name to R&S Group Holding AG, and was listed on the SIX Swiss Exchange on 13 December 2023 under the ticker symbol RSGN.

Swiss GAAP FER does not include specific guidance on how to determine who should be deemed to be the acquirer from an accounting perspective. Management applied the principle on reflecting the economic substance independently of the legal form of the transaction as set out in FER Framework 6 and 10.

- Before the transaction, RSI was owned by one majority shareholder (CGS III (Jersey)). After the IBC, the Group was no longer controlled by a majority shareholder, but the CGS remains the largest single shareholder.
- The entirety of operations of the Group are those of the former RSI. The SPAC had no operations.
- The executive committee of the combined group is the former RSI management. The executive committee of the SPAC was dissolved following the IBC.
- The Board of Directors of the Company now includes members from the former SPAC, RSI and an independent member.

Based on the above management concluded that the accounting wise this is a combination of entities, where RSI assumed the assets and liabilities of VT5 Acquisition Company AG.

Notes to the Financial Statements as of 31 December 2023

Refer to Note 29 for details of the assets acquired and the liabilities assumed from VT5 Acquisition Company AG (now R&S Group Holding AG). Summarized, the net main assets acquired were the prepaid listing costs amounting to CHF 8.0 million, and 1'000'000 of own shares valued CHF 10.0 million (refer to Note 22), and RSI assumed the CHF 38.7 million bank debt of RSG.

The resulting goodwill amounting to CHF 17.7 million arising from the purchase price allocation is directly offset against equity.

As the combined Group did not procure or repay any equity, the CHF 8.0 million cost of the listing prepaid by RSG are recognized as part of financial expense, in accordance with FER 24.22.

The consolidated financial statements include the annual financial statements of R&S Group Holding AG, and the companies controlled by R&S Group Holding AG, which are owned directly or indirectly with over 50% of the voting rights and exercise management and control. These investments are fully consolidated.

First-time consolidation takes place at the time control is assumed, deconsolidation at the time the control is transferred. Assets acquired and liabilities assumed are recognized as of the date when control is obtained and measured at their acquisition-date fair values (revaluation). Any goodwill arising from the purchase price allocation is directly offset against equity. The list of shareholdings of the significant subsidiaries included in the consolidation as of 31 December 2023 is as follows:

		Share Capital	Ownership in %
R&S Group Holding AG (Pfäffikon SZ, Switzerland)	TCHF	2'893	
R&S International Holding AG (Sissach, Switzerland)	TCHF	44'822	100
Rauscher & Stoecklin AG (Sissach, Switzerland)	TCHF	500	100
Tesar S.r.l. (Subbiano, Italy)	TEUR	2'080	100
Tesar Gulf Power Transformers LLC (Al Ain, UAE)	TAED	8'800	100
ZREW Transformatory S.A. (Łódź, Poland)	TPLN	12'598	100
Tesar Polska Sp. z o.o. (Niepolomice, Poland)	TPLN	100	100

Notes to the Financial Statements as of 31 December 2023

In 2023, Tesar S.r.l. acquired the remaining 52% of Tesar Gulf Power Transformers LLC for CHF 1.6 million. The first full consolidation of Tesar Gulf Power Transformers LLC took place in October 2023, when control assumed by Tesar S.r.l. Neither the balance sheet at acquisition date, nor the net sales in the current or prior years are material to the Group.

In December 2023, SERW spol. s.r.o was sold to an external buyer and fully deconsolidated on 31 December 2023. Refer to Note 30 for further details.

Foreign currency conversion

All assets and liabilities of foreign entities are translated into Swiss francs (CHF), the Group's reporting currency, at the exchange rates prevailing on 31 December.

Income, expenses and cash flows of foreign entities are translated at average exchange rates for the year. Upon disposal of a foreign operation, accumulated currency translation reserve is recognized in the income statement.

Applicable exchange rates for the Group's major foreign currencies are as follows:

	2023	2022
Euro (EUR)		
- Closing rate	0.92970	0.98745
- Average rate	0.98568	1.02095
100 Czech Kruna (CZK)		
- Closing rate	3.76600	4.08800
- Average rate	4.11700	4.20300
100 Polish Zloty (PLN)		
- Closing rate	21.40300	21.09400
- Average rate	21.55800	21.84000
100 United Arab Emirates Dirham (AED)		
- Closing rate	22.91500	n/a
- Average rate	24.69600	n/a

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Transactions in foreign currencies are accounted for at the average exchange rates of the prior month, as an approximation of the exchange rate at the transaction date. Gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Notes to the Financial Statements as of 31 December 2023

2 Accounting and valuation principles

Assets

Cash and cash equivalents

Cash and cash equivalents include cash balances, postal checks and bank balances as well as time deposits with a remaining term of a maximum of 90 days.

Receivables

Trade and other receivables are shown at their nominal value, less the economically necessary value adjustments. Specific credit risks are taken into account individually.

Inventories and work in progress

Inventories are stated at the lower of purchase or manufacturing costs or net realizable value. Net realizable value is the estimated selling price in the normal course of business, less estimated cost of completion and estimated selling cost. Manufacturing costs include direct material and production costs as well as material and production overheads. The inventory costs are determined using the Average cost method, with exception of work in progress recognized using Percentage-of-Completion method. The Purchase discounts are treated as a purchase price reduction. Value adjustments are made for obsolete and slow-moving items. Work in progress on long-term contracts is recognized according to the stage of completion of the contract (Percentage-of-Completion method) and is presented net of advance payments received. Allowances are recorded to cover anticipated losses as soon as these are identified.

Tangible and intangible assets

Tangible and intangible assets are recorded at acquisition or production cost (i.e. historical cost) less accumulated depreciation. Land is valued at cost and is not depreciated. Depreciation is carried out on a straight-line basis over the estimated useful life. The useful lives are:

Tangible assets

Land and buildings	40 years for buildings
Machinery	10-20 years
Equipment	5-10 years
Operating and storage facilities	10 years
Office furniture	10 years
Vehicles	4-10 years
Information technology	4-10 years

Intangible assets

Intangible assets (acquired software)	3-4 years
Intangible assets (internally developed software)	max. 8 years

Notes to the Financial Statements as of 31 December 2023

Activated development costs	3 years
Goodwill	5 years

Goodwill resulting from acquisitions (the excess of the purchase price over the net fair value of the acquired assets, liabilities and equity interests) is offset in equity against retained earnings at the date of acquisition. The impact of a theoretical capitalization and amortization of goodwill are explained in Note 31.

Financial assets

Financial assets mainly comprise deferred tax assets and pension assets. Loans and pension assets (employer contribution reserves not encumbered with waivers of use) are recognized at acquisition cost less impairment, if any. Information related to deferred tax assets is presented in Notes 10 and 15.

Impairment of assets

All non-current assets are tested for impairment when indicators exist that the carrying amount of the asset might exceed its recoverable amount. Where the carrying amount of an asset is higher than the recoverable amount, the asset is impaired to its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal cost and value in use. Intangible assets not yet available for use are not subject to amortization and are therefore tested for impairment at least once a year. As goodwill is fully offset against equity at the date of acquisition, an impairment of goodwill will not affect income, but will only be disclosed in the notes to the consolidated financial statements (refer to Note 31). Impairment tests are performed based on discounted cash flows at the level of the corresponding cash-generating units, representing the lowest level at which such assets are evaluated for recoverability.

Liabilities

Liabilities are recorded in the balance sheet at their nominal value.

Provisions

Provisions are set up if an event occurred before the balance sheet date from which a probable obligation occurs in the future whose amount and due date can be reliably estimated. This obligation can be based on legal or factual reasons.

Financial liabilities

Financial assets mainly comprise bank debt. Borrowings are initially recorded at nominal value. They include mainly bank loans and are classified as current if they are settled within 12 months, and there is no unconditional right to extend the settlement to at least 12 months after the balance sheet date.

Notes to the Financial Statements as of 31 December 2023

Contingent liabilities

Possible obligations, the existence of which must be confirmed by future events, or obligations, the amount of which cannot be reliably estimated, are disclosed as contingent liabilities in the notes. The assessment is based on the probability and amount of future benefits and costs.

Taxes

Income tax is recorded based on the period to which it properly relates. Deferred income tax is recorded in full using the liability method. Deferred income tax assets and liabilities arise on temporary differences between carrying amounts of assets and liabilities for Group purposes and their related tax values. The tax rates and laws enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. Deferred income tax assets result from tax loss carry-forwards, tax credits as well as temporary valuation differences of assets and liabilities. They are recognized to the extent that realization through future taxable profits is probable. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same tax authority.

Employee benefits

The pension obligations of Group companies for old age, death or disability are based on the local regulations and requirements in the respective countries.

Contributions to state institutions, autonomous foundations or insurance companies are made on an ongoing basis. The income statement contains the payments owed to the pension providers in a period as well as the ongoing expenses for the fulfilment of the other pension plans. The private pension plans exist mainly in Switzerland. They are designed to create retirement assets with conversion into fixed old-age pensions and with supplementary risk benefits. Valuation and reporting are based on Swiss GAAP FER 16. The actual economic impacts of pension plans of the Company are calculated at the balance sheet date. Economic benefit is capitalized if it is used for the Company's future pension expenses. Economic obligation is recognized as a liability if the requirements for the creation of a provision are met. Separately existing freely available employer contribution reserves are recorded as assets. The difference between the annually determined economic benefits and obligations and the change in the employer's contribution reserve is recorded in the income statement.

Employees of Swiss Group companies in Switzerland are insured as part of a multi-employer pension fund, an independent separate legal entity under Swiss Law ("Personalvorsorgestiftung") financed by contributions from participating employers and employees. An economic obligation or a benefit from the Swiss pension scheme is determined from the pension fund financial statements prepared on the basis of Swiss GAAP FER 26 "Accounting of Pension plans" and recognized in the balance sheet accordingly.

Notes to the Financial Statements as of 31 December 2023

In Italy, the Company accrues monthly a fixed percentage of the salary for each employee (Trattamento di Fine Rapporto, TFR) which is to be paid out at the end of the working relationship or earlier upon request in the case of an employee's special needs, such as buying a property. This jubilee provision is presented as pension liabilities in the financial statements.

Derivative financial instruments

To hedge against currency risks from operating activities, forward exchange contracts are sometimes concluded. The hedging transaction is posted at market value in the same way as the underlying transaction and is shown in the balance sheet as prepaid or deferred income. To hedge future cash flows, changes in the value of the hedging transactions are recognized in the profit or loss statement as financial results until the underlying transaction is processed.

Income / Expenses**Recognition of revenue**

Net revenue includes all sales of goods and services after deduction of any sales reductions, including discounts, rebates, returns and value-added tax.

Revenue from sale of goods is recognized when benefits and risks have been transferred to the purchaser in accordance with the contractual terms.

Services rendered to customers include consulting and installation services, as well as after-sales support, repair and maintenance services. Revenue from services is generally recognized when the service has been performed.

Research and development

Research and development expenses are reported in the income statement within operating expenses, except the costs for external tests (development costs) that yield measurable benefits for the Company over several years, which are capitalized as intangible assets and amortized over the useful life.

Notes to the Financial Statements as of 31 December 2023

3 Segment information

The R&S Group and all its companies are operating internationally as manufacturers and suppliers of electrical infrastructure products, with leading positions in small and medium power and distribution transformers in selected markets in Europe and the Middle East. There are no separate segments as per Swiss GAAP FER 31. All the companies are managed based on a uniform business strategy. The Board of Directors and Executive Committee manage the Company on the basis of the Group's consolidated financial statements. The CEO delegates the monitoring of the goals and their implementation in daily operations to the management of the companies.

4 Net sales

	2023	2022
	TCHF	TCHF
Gross sales from goods and services	177'395	126'754
Gross sales from long-term manufacturing orders (valued using the percentage-of-completion method)	44'112	29'694
Sales deductions	-4'599	-1'334
Net sales	216'907	155'114

Gross sales per region

	2023	2022
	TCHF	TCHF
Europe	198'092	138'121
Asia	21'225	16'566
America	1'083	723
Africa / Oceania	1'107	1'037
Total Gross sales	221'506	156'448
Sales deductions	-4'599	-1'334
Net sales	216'907	155'114

In 2023, sales deductions were higher than in 2022, due to higher agent commissions resulting from the increase of business volume and the reversal of CHF 845 thousand in customer claim provisions in year 2022.

Notes to the Financial Statements as of 31 December 2023

5 Other operating income

	2023 TCHF	2022 TCHF
Construction contract cancellation penalty received	444	0
Other operating income	247	127
Total other operating income	691	127

6 Personnel costs

	2023 TCHF	2022 TCHF
Wages and salaries	-26'461	-23'499
Social benefits	-6'274	-5'847
Other personnel expenses	-5'678	-3'216
Total personnel costs	-38'413	-32'561

In addition to the contributions to state pension schemes, the social benefits item also includes contributions to employee benefit schemes, which are described in Note 23.

7 Operating expenses

	2023 TCHF	2022 TCHF
Premises, energy	-5'922	-5'793
Maintenance, repair, operations	-2'048	-1'763
Insurance and administration expenses	-4'207	-3'024
Marketing and sales expenses	-1'235	-777
Research & development expenses	-479	-150
Total operating expenses	-13'891	-11'507

Notes to the Financial Statements as of 31 December 2023

8 Other operating expenses

	2023 TCHF	2022 TCHF
Loss from disposal of tangible and intangible assets	0	-4
Loss from disposal of investments	-9'503	0
Change in warranty provisions	-117	-261
Change in the provision for doubtful debt	-32	-101
Management fees	-150	-150
Other operating expenses	-136	-124
Total other operating expenses	-9'938	-640

Loss from disposal of investments reflects the sale of SERW Spol. S.r.o. in December 2023 (refer to Note 30).

9 Financial result

	2023 TCHF	2022 TCHF
Financial income	694	405
Financial expenses	-10'265	-2'060
Net financial result	-9'572	-1'655
Foreign exchange gain	532	405
Interest income	161	0
Financial income	694	405
Foreign exchange loss	-531	-590
Listing costs from IBC	-8'077	0
Interest expenses	-1'657	-1'470
Financial expenses	-10'265	-2'060

10 Tax expenses

	2023 TCHF	2022 TCHF
Current income tax	-6'837	-592
Deferred tax	-641	-1'179
Total tax expenses	-7'478	-1'771

The current taxes on profits include the taxes paid and taxes still owed on the taxable profits of the individual companies according to local tax laws.

Notes to the Financial Statements as of 31 December 2023

Deferred taxes are calculated individually for each taxable entity using effectively expected tax rate per tax subject. The deferred tax expense is due to the net position of temporary differences.

Deferred tax assets developed as follows:

	2023 TCHF	2022 TCHF
Total at 1 January	1'781	2'893
Increase	573	424
Decrease	-1'377	-1'415
Exchange rate impact	-4	-122
Total at 31 December	971	1'781

Consumption of tax loss carryforwards continued and most of the available losses were consumed in 2023. The deferred tax assets as of 31 December 2023 relate mainly to temporary differences.

Deferred tax liabilities developed as follows:

	2023 TCHF	2022 TCHF
Total at 1 January	1'593	1'419
Increase	94	298
Decrease	-267	-109
Change in consolidation scope	-205	0
Other adjustments	-10	-15
Total at 31 December	1'205	1'593

The change in consolidation scope reflects the impact from the deconsolidation of SERW spol.s.r.o. in December 2023.

The expiration dates of unrecognized tax loss carryforwards are as follows:

	2023 TCHF	2022 TCHF
expiring in 1 year	176	243
expiring in 2 years	0	565
expiring in 3 years	0	164
expiring in 4 years	0	223
expiring in 5 years and thereafter	0	1'350
Total unrecognized tax loss carryforwards	176	2'545

The reduction of unrecognized tax loss carryforwards is mainly the result of the deconsolidation of SERW spol. s.r.o. (CHF 1.5 million), in December 2023.

Notes to the Financial Statements as of 31 December 2023

Tax rates enacted or substantively enacted at the balance sheet date and used to determine deferred taxes are as follows:

	2023	2022
Switzerland	15%	17%
Italy	24%	25%
Poland	19%	19%

II Earnings per share (EPS)

On 13 December 2023, R&S Group Holding AG and R&S International Holding AG completed the Initial Business Combination whereby R&S Group Holding AG became the legal parent company of R&S International Holding AG for a cash consideration and exchange of R&S International Holding AG shares for new and existing public ordinary shares. Refer to Note 22 – Equity and own shares, for further details.

As the business combination is accounted for as a combination of entities, where R&S International Holding AG assumed the assets and liabilities of VT5 Acquisition Company AG, the number of shares is adjusted to reflect the capital structure of the legal parent. The calculation of the basic and diluted earnings per share for the period before the IBC were adjusted retrospectively due to these changes.

The conversion ratio is calculated as the number of shares of the legal parent, 28'929'412, divided by the number of shares of the legal subsidiary, 44'822'222. Refer to Note 22 – Equity and own shares, for an overview.

Earnings per share

	2023	2022
Profit attributable to the shareholders of the company, in TCHF	11'634	4'252
Weighted average number of shares, in thousands	28'929	28'929
Basic earnings per share, in CHF	0.40	0.15
Profit attributable to the shareholders of the company, in TCHF	11'634	4'252
Weighted average number of shares, in thousands	28'929	28'929
Dilution impact	0	0
Diluted earnings per share, in CHF	0.40	0.15

The Company has 6'666'657 Warrants outstanding which may be exercised to subscribe for registered ordinary shares for CHF 11.50

Notes to the Financial Statements as of 31 December 2023

Only those options that might potentially lead to a dilution or are "in the money" are included in the calculation of diluted earnings per share. As the average market price of the share was below CHF 11.50, the options are not dilutive.

12 Accounts receivables

	2023 TCHF	2022 TCHF
Accounts receivables	30'072	20'456
Provision for doubtful debt	-209	-177
Total accounts receivable	29'864	20'279

13 Other short-term receivables

	2023 TCHF	2022 TCHF
VAT credit	330	351
Withholding tax credit	1'206	0
Interest receivable	236	0
Other short-term receivables	798	299
Total other short-term receivables	2'569	650

Withholding tax and VAT short-term receivables in 2023 are mainly attributable to the Initial Business Combination.

14 Inventories

	2023 TCHF	2022 TCHF
Raw materials	23'084	23'913
Finished goods	9'772	11'101
Work in progress	4'174	9'560
Work in progress on long-term contracts (PoC method)	0	3'057
Inventory provisions	-5'367	-3'546
Total inventories	31'663	44'084

Notes to the Financial Statements as of 31 December 2023

Long-term contracts valued according to the PoC (Percentage-of-Completion) method are as follows:

	2023 TCHF		2022 TCHF	
	Assets	Liabilities	Assets	Liabilities
Work in progress long-term contracts	7'941	-7'941	5'073	-2'016
Advance payments from customers	-7'941	17'922	-2'016	5'748
Net assets from work in progress long-term contracts	0	0	3'057	0
Net liabilities from work in progress long-term contracts (refer to Note 18)	0	9'981	0	3'732

15 Financial assets

	2023 TCHF	2022 TCHF
Long-term receivables and loans	318	331
Participations	186	888
Employer contribution reserves (refer to Note 23)	500	500
Deferred taxes DTA (refer to Note 10)	971	1'781
Total financial assets	1'975	3'499

Notes to the Financial Statements as of 31 December 2023

16 Tangible and intangible assets

	Capital work in progress/ Capital prepayments	Land and buildings	Equipment and machinery	Movable property, vehicles	Total tangible assets	IT (software)	Other intangible Assets	Development costs	Total intangible assets
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Acquisition value									
As of 31.12.2021	549	10'258	24'502	1'333	36'642	2'061	1'753	1'289	5'102
Exchange rate impact	-82	-438	-828	-40	-1'388	-70	-40	-41	-151
Additions	1'677	255	1'770	0	3'702	174	20	28	222
Disposals	-4	0	-116	-195	-316	-6	0	0	-6
As of 31.12.2022	2'140	10'075	25'328	1'098	38'641	2'159	1'733	1'276	5'168
Exchange rate impact	-11	50	-472	5	-428	-8	17	-42	-32
Changes in consolidated Group	-9	-4'552	-2'300	-333	-7'193	-364	-1'634	-348	-2'346
Additions	4'214	5	2'573	3	6'796	166	76	89	331
Disposals	-1'651	0	-200	-21	-1'871	0	0	0	0
Reclassifications	-287	67	220	0	0	0	0	0	0
As of 31.12.2023	4'397	5'644	25'150	753	35'945	1'953	192	975	3'121
Accumulated depreciation									
As of 31.12.2021	0	-2'345	-15'363	-1'082	-18'789	-1'589	-1'736	-779	-4'104
Exchange rate impact	0	95	496	31	622	57	39	26	122
Additions	0	-326	-1'379	-63	-1'769	-234	-13	-214	-460
Disposals	0	0	66	193	259	6	0	0	6
As of 31.12.2022	0	-2'575	-16'180	-921	-19'677	-1'760	-1'710	-967	-4'438
Exchange rate impact	0	-29	259	-3	228	-3	-18	30	8
Changes in consolidated Group	0	1'802	1'946	314	4'062	340	1'634	347	2'321
Additions	0	-331	-1'535	-50	-1'917	-230	-21	-164	-416
Disposals	0	0	130	21	151	0	0	0	0
As of 31.12.2023	0	-1'133	-15'381	-640	-17'153	-1'654	-115	-754	-2'524
Net tangible and intangible assets 31.12.2021	549	7'913	9'139	252	17'853	472	16	509	998
Net tangible and intangible assets 31.12.2022	2'140	7'499	9'148	177	18'964	399	23	309	730
Net tangible and intangible assets 31.12.2023	4'397	4'512	9'770	113	18'791	299	77	221	597

Notes to the Financial Statements as of 31 December 2023

Exposure of assets to secure own liabilities	2023	2022
	TCHF	TCHF
Bearing on land and building mortgage notes in 1. rank	9'792	9'651
Total	9'792	9'651
Book value land and buildings	3'563	3'669

17 Financial liabilities

	2023	2022
	TCHF	TCHF
Short-term financial liabilities	12'629	14'850
Long-term financial liabilities	33'690	2'000
Total financial liabilities	46'319	16'850
Unused credit facilities	17'456	9'207

The increase in short- and long-term financial liabilities is due to the business combination of R&S Group Holding AG with external financial liabilities of CHF 38.7 million.

A bank credit facility of CHF 40 million was arranged for the purpose of financing the acquisition of R&S International Holding AG and its subsidiaries, of which CHF 38.7 million was drawn on 12 December 2023. The interest rate at 31 December 2023 was 3.72% (SARON-based). The credit facility is to be reduced by CHF 2.5 million on a quarterly basis starting from 31 March 2024.

18 Other short-term liabilities

	2023	2022
	TCHF	TCHF
Other liabilities - VAT	372	616
Other liabilities - payroll/payroll taxes	1'514	1'483
Capex liabilities	236	308
Other liabilities	2'288	2'134
Advance payments from customers (refer to Note 14)	9'981	3'732
Total other short-term liabilities	14'391	8'272

Notes to the Financial Statements as of 31 December 2023

19 Provisions

	Short-term provisions				Total short-term provisions	Long-term provisions			Total long-term provisions
	Provision for income tax	Provision for bonuses	Provision for customer claims	Provision other short-term		Provision for warranties	Deferred tax liability	Provision other long-term	
	TCHF	TCHF	TCHF	TCHF		TCHF	TCHF	TCHF	TCHF
As of 31.12.2021	-465	575	1'324	1'530	2'964	744	1'419	1'865	4'028
Creation	948	1'140	21	2'213	4'322	191	298	37	526
Utilization & release	-370	-954	-1'266	-1'338	-3'928	-117	-109	-33	-259
Exchange rate impact	9	-24	-21	-99	-136	-41	-15	-20	-76
As of 31.12.2022	123	737	58	2'305	3'224	777	1'593	1'849	4'219
Changes in consolidated Group	17	-335	-354	-287	-959	0	-205	0	-205
Creation	6'837	3'071	330	7'166	17'405	133	94	51	278
Utilization	-4'514	-1'095	0	-1'733	-7'342	-16	-267	0	-283
Released unutilized	0	-589	-6	-4'112	-4'706	0	0	0	0
Exchange rate impact	-118	-18	-1	-15	-152	-24	-10	-27	-61
As of 31.12.2023	2'346	1'772	27	3'325	7'470	869	1'205	1'873	3'947

Created short-term other provisions, mainly cover the risks associated with customer contractual penalties. Unused other short-term provisions are mainly attributable to the reversal of customer claim-related provisions in ZREW Transformatory S.A. (CHF 2.5 million). Changes in consolidated Group result from the deconsolidation of SERW spol. s.r.o. in December 2023.

20 Accruals

	2023 TCHF	2022 TCHF
Accrued personnel costs	194	242
Accrued material costs	201	699
Accrued grants	0	110
Accrued other costs	1'335	306
Total accruals	1'730	1'356

Notes to the Financial Statements as of 31 December 2023

21 Pension liability

	2023 TCHF	2022 TCHF
Termination benefits	712	774
Total pension liability	712	774

Pension liability includes a “jubilee” provision in Tesar S.r.l.. In Italy, the Company accrues monthly a fixed percentage of the salary for each employee (Trattamento di Fine Rapporto, TFR) which is to be paid out at the end of the working relationship or earlier upon request in the case of an employee’s special needs, such as buying a property.

22 Equity and own shares**Share capital**

The share capital comprises all issued, fully paid registered shares of the Company.

As per 31 December 2023, the subscribed share capital amounted to CHF 2'892'941.20 and was divided into 28'929'412 registered ordinary shares with a nominal value of CHF 0.10 each. After the business combination, the consolidated equity was adjusted to reflect the statutory share capital of the legal acquirer R&S Group Holding AG. Refer also to the Consolidated statement of changes in equity per 31 December 2023. The share capital is fully paid up. Each share entitles its holder to one vote.

Authorized share capital

The authorized share capital expired on 14 December 2023, and accordingly the Company did not have any authorized share capital as of 31 December 2023.

Conditional share capital for financing, acquisitions, and other purposes

In accordance with article 3.1.2 of the Company’s Articles of Association, the share capital may be increased under the exclusion of the pre-emptive rights of the shareholders by the issuance of up to 11'764'706 fully paid-in registered shares with a nominal value of CHF 0.10 each, up to an amount of CHF 1'176'470.60, by means of the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries (hereinafter collectively the “Financial Instruments”). The conditional share capital is unchanged as of 31 December 2023.

Notes to the Financial Statements as of 31 December 2023

Warrants outstanding

The Company has 6'666'657 warrants outstanding which may be exercised to subscribe for registered ordinary shares for CHF 11.50. The last trading day of the product is expected at the latest on 15 December 2027. There is a company redemption option if the VWAP (Volume-weighted Average Price) rises above CHF 18.00. No warrant was exercised in the financial year 2023, and no warrants were issued or expired.

Own shares

	2023 shares	Average share price CHF	TCHF
Balance as at 1 January	0	0	0
Acquisition of own shares	1'000'000	10	10'000
Balance at 31 December	1'000'000	10	10'000

Own shares comprise the cost of shares of the Company acquired and held as treasury shares by the R&S Group. The Group acquires shares to meet the obligation to deliver shares for the redeemable warrant and share bonus program for employees and management.

Distribution of dividends

In 2023, no dividend was paid for the financial year 2022. In 2022, no dividend was paid for the financial year 2021. For the financial year 2023, the Board of Directors proposes to the shareholders a dividend payment out of the capital contribution reserves of CHF 0.25 per publicly held share.

23 Employee benefits

	Nominal amount 31.12.2023	Usage restrictions 31.12.2023	Balance as of 31.12.2023	Balance as of 31.12.2022	Result in personnel expenses 2023	Result in personnel expenses 2022
Employer contribution reserve	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Provisions	500	0	500	500	0	0

There is no waiver of use for the employer's contribution reserve.

Notes to the Financial Statements as of 31 December 2023

	Over-/Under-funding 31.12.2023	Economic share of organisation as of 31.12.2023	Economic share of organisation as of 31.12.2022	Difference to PY and affecting the current year	Contributions over to the period	Pension expenses in personnel costs 2023	Pension expenses in personnel costs 2022
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
Economic benefit, economic obligation, pension expenditure							
Pension fund with excess coverage	3'415	0	0	0	873	873	826

The pension scheme is the pension fund of Rauscher & Stoecklin AG. In 2023, the investments increased by CHF 1'078 thousand. The coverage at year-end was 113.4% (as of 1 January 2023: 109.8%). The increase in coverage ratio by 3.6% is mainly due to a favorable investment environment in 2023.

According to Swiss law, the pension fund's free reserves cannot be used economically by Rauscher & Stoecklin AG or the Group.

The companies ZREW and Tesar PL do not have their own pension funds for their employees. The pension scheme is regulated by an insurance company or a state organization.

24 Share based payments

On 19 December 2023, the Board of Directors approved a grant of 100 equity-settled non-conditional R&S Group shares to all employees, effective on 31 December 2023, and valued at to the market price on that date of CHF 10.60. Total expense included in the 2023 results was CHF 651 thousand. The share based payment will be settled from treasury shares in 2024.

25 Leasing

Operating Lease contract	Total Lease commitments	Maturity of lease commitments			
		up to 12 months	up to 3 years	up to 5 years	up to 10 years
Property	15'383	2'809	5'632	4'649	2'293
Other equipment	2'207	328	1'402	477	0
Total outstanding lease commitments	17'590	3'137	7'034	5'126	2'293

Notes to the Financial Statements as of 31 December 2023

On 31 December 2023, the total amount of outstanding lease commitments for the Company amounted to CHF 17'590 thousand. The main items were:

- leasing of land and building by Rauscher&Stoecklin AG - TCHF 10'082 (until May 2030) and
- leasing of Chiaveretto building by Tesar S.r.l. - TCHF 4'348 (renewed in 2022 until July 2028).

26 Guarantees to third parties

	2023 TCHF	2022 TCHF
Bank guarantees	17'614	22'035

27 Contingent liabilities

In 2023 R&S International Holding AG provided a surety declaration to Poland's bank, assuming overall responsibility for guarantees issued by ZREW Transformatory S.A. up to a limit of TPLN 15'000 (TCHF 3'210).

28 Derivative financial instruments

	Contract values as of 31.12.2023	Contract value as of 31.12.2022	Market value as of 31.12.2023	Market value as of 31.12.2022	Impact on the financial results of 2023	Impact on the financial results of 2022
	TCHF	TCHF	TCHF	TCHF	TCHF	TCHF
CZK/EUR - FX FW	0	406	0	405	0	-1
PLN/EUR - FX FW	24'910	4'212	25'038	4'210	128	-2
LME Copper - SWAP	4'860	-2'267	4'879	-2'295	19	-28
Total	29'770	2'351	29'917	2'320	147	-31

The Company uses forward exchange contracts to hedge against currency risks from operating activities. Swap contracts are used for copper price hedging.

Notes to the Financial Statements as of 31 December 2023

29 R&S Group Holding AG acquisition

On 11 December 2023, the Shareholders Meeting of the SIX-listed Special Purpose Acquisition Company VT5 Acquisition Company AG approved the Initial Business Combination, respectively the acquisition of 100% of the shares of R&S International Holding AG and its subsidiaries for a total purchase consideration of CHF 274 million, consisting of a cash payment of CHF 203.6 million and the issuance of 7 million own shares valued at CHF 70.4 million. Subsequent to the acquisition, VT5 Acquisition Company AG changed its name to R&S Group Holding AG, and was listed on SIX Swiss Exchange on 13 December 2023 under the ticker symbol RSGN.

The assets and liabilities of R&S Group Holding AG on 13 December 2023, and the goodwill calculation are as follows:

	2023
	TCHF
Assets acquired at 13.12.2023	23'232
Cash	3'741
Own shares	10'000
Other receivables and prepaid expenses	9'491
Liabilities assumed at 13.12.2023	40'911
Bank loan	-38'700
Accounts payable and accruals	-2'211
Consideration paid (neither cash nor shares)	0
Goodwill at 13.12.2023, offset with retained earnings	17'678

30 Disposal of investments

In December 2023, SERW spol. s.r.o was sold to an external buyer. The principal balance sheet items at the time of sale were as follows:

	30.11.2023
	TCHF
Accounts receivable and other short-term assets	2'118
Inventories	4'466
Tangible and intangible assets	4'455
Accounts payable and other liabilities	-3'942
Financial liabilities	-3'114
Net Assets disposed	3'983

The closing selling price of SERW spol. s.r.o was CZK 100 (CHF 4).

Notes to the Financial Statements as of 31 December 2023

In addition, Goodwill of CHF 5.52 million from the initial acquisition of SERW spol. s.r.o, that was directly offset against equity at the time of the acquisition in 2014, has been recognized in R&S Group's 2023 statement of profit and loss.

A total loss of CHF 9.5 million from sale of investments in SERW spol. s.r.o has been reported under Other operating expenses (refer to Note 8).

Net sales and operating result impacts of SERW operations in year 2022 and 11 months of year 2023 are presented below:

	2023 TCHF	2022 TCHF
Net sales	15'587	10'847
Operating result	679	-1'427

Contingent assets

The total selling price of SERW spol. s.r.o includes two milestone earn-outs: "Earn-out 1" in the amount of CZK 12.5 million (CHF 516 thousand) and "Earn-out 2" in the maximum amount of CZK 40 million (CHF 1.6 million), both conditional on agreed performance parameters. The Executive Committee does not expect that the KPIs of the disposed SERW will be met, and therefore it is deemed unlikely to receive either of the two earn-outs. As a consequence, they are not activated as an asset, and have no value in the determination of the consideration received for SERW.

31 Goodwill

Goodwill resulting from the purchase of SERW spol. s.r.o., CZ (18 December 2014), ZREW Transformatory S.A., PL (23 December 2015), Tesar S.r.l., IT (90% stake on 29 July 2016 and remaining 10% in 2018) and Tesar Polska Sp. z o.o., PL (29 July 2016) was offset against equity on the dates of acquisition.

Goodwill from the acquisition in October 2023 of Tesar Gulf Power Transformers LLC amounted to zero after purchase price accounting adjustments.

In December 2023, upon sale of SERW spol. s.r.o, goodwill of CHF 5.52 million previously offset against equity was recognized in R&S Group's statement of profit and loss.

Upon the business combination of R&S Group Holding AG, goodwill of CHF 17'678 thousand was offset directly against retained earnings.

The total amount of goodwill currently offset against equity is CHF 50'999 thousand, an amount that could potentially impact R&S Group's statement of profit and loss.

Notes to the Financial Statements as of 31 December 2023

According to Swiss GAAP FER, the effects of a theoretical capitalization of goodwill over 5 years are as follows.

	Purchase value	Residual value as of 31.12.2023	Useful life	Amortisation 2023
	TCHF	TCHF	Years	TCHF
R&S Group Holding AG	17'687	17'425	5	262

32 Related party transactions

Management fees of CHF 150 thousand were paid to CGS Management AG in 2023 (2022: CHF 150 thousand).

33 Assets pledged

On 31 December 2023 there were no pledged assets. The pledge of the shares of Rauscher & Stoecklin AG to a bank was fully terminated by December 2023.

34 Risk assessment

Risk management and control are among management's key responsibilities. Every year, management identifies, evaluates and quantitatively assesses operational, financial and strategic risks, using standardized risk monitoring and reporting processes and implementing mitigation plans when necessary. The risk assessment is discussed and approved by the Board of Directors.

In 2023 the R&S Group faced fewer major risks than in previous years. Supply chain risks related to the availability and cost of raw materials improved compared with 2022, despite new uncertainties created by the conflict that emerged in the Middle East and ongoing tensions related to the war in Ukraine. This was partly due to lower-than-expected increases in energy costs. The Board of Directors believes that these risks were well monitored by management and that mitigation measures were effective.

The risks associated with ramping up production to execute the growing order backlog and meet sustained strong market demand -- such as the purchase of new machines and recruitment of skilled employees -- was successfully addressed through more efficient business processes as well as by expanded production capacity, including the building of a new plant in Poland that is scheduled to open in the summer of 2024.

Notes to the Financial Statements as of 31 December 2023

Risks related to business volatility were addressed with the disposal in December 2023 of SERW Spol. s.r.o., a manufacturer of disconnectors and switching devices. As a result, R&S Group is more clearly focused as a manufacturer of transformers. Additionally, the Group's balance sheet has become asset-lighter and the company expects a slightly positive impact on stock turnover and cash conversion in 2024. The divestment had only a minor impact on (lost) internal synergies and intercompany sales.

35 Events after balance sheet date

There are no events to report after the balance sheet date of 31 December 2023.

Report of the Statutory Auditor

To the General Meeting of
R&S GROUP HOLDING AG, FREIENBACH

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of R&S Group Holding AG (formerly VT5 Acquisition Company AG) (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated profit & loss statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (on pages 60 to 88) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

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 Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our Audit Approach

Key audit matters	<ul style="list-style-type: none">– De-SPAC transaction accounting– Recognition of revenue from long-term manufacturing contracts determined using the percentage-of-completion method
Materiality	<ul style="list-style-type: none">– CHF 1'800'000
Scoping	<ul style="list-style-type: none">– 93.0 % of revenue– 98.6 % of profit before taxes– 98.4 % of total assets

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

De-SPAC transaction accounting

Key audit matter	How the scope of our audit responded to the key audit matter
<p>On 11 December 2023, the shareholders of VT5 Acquisition Company AG approved the business combination with R&S Group, and the re-naming of the listed entity to R&S Group Holding AG.</p> <p>As described in note 1, the transaction was considered a business combination.</p> <p>R&S International Holding AG as accounting acquirer absorbed the net liabilities of VT5 Acquisition Company AG, which subsequently changed its name to R&S Group Holding AG. The Goodwill was determined as difference between the liabilities assumed and the net assets acquired and amounts to CHF 17.7 million. In accordance with Swiss GAAP FER 30, the Goodwill was offset with equity. Note 31 provides the required information, if the Goodwill would have been capitalized and amortized over five years.</p> <p>The determination of the accounting acquirer respectively accounting acquiree and presentation of the de-SPAC transaction requires Management judgement relating to the application of accounting standards, classification, valuation and presentation in the Company's financial statements.</p>	<p>To audit the de-SPAC transaction, we performed the following procedures:</p> <ul style="list-style-type: none"> – We have gained an understanding of the de-SPAC transaction. – We obtained and verified the accounting analysis carried out by Management and Management's specialist. We assessed the competence of Management's specialist. – We gained an understanding of the internal controls related to the accounting and presentation of the de-SPAC transaction. – We were supported by accounting and financial instruments specialists to assess the treatment of the de-SPAC transaction in relation to the applicable Swiss GAAP FER standards and the appropriateness of the assumptions that have been used by Management and the calculations performed. – We have tested on a sample basis accounting entries by reconciling those to bank statements (eg. payments to the sellers) and to invoices (eg. transaction expense). – We reviewed meeting minutes and agreements in relation to the De-SPAC transaction. – We have also assessed the adequacy and appropriateness of the disclosure notes to the consolidated financial statements related to De-SPAC transaction. <p>Based on the procedures performed above, we obtained sufficient audit evidence to address the risks related to the accounting of the De-SPAC transaction.</p>

Recognition and valuation of revenue from long-term manufacturing orders using the percentage-of-completion method

Key audit matter

The R&S Group generates sales from different revenue streams as defined in the Accounting and valuation principles (Recognition of revenue) and in note 4 (Net sales) and 14 (Inventories) in the notes to the consolidated financial statements 2023.

The two main areas of income are sales from goods and services of CHF 177.4 million (prior year CHF 126.8 million) and sales from long-term manufacturing contracts, valued using the percentage-of-completion method (PoC) of CHF 44.1 million (prior year CHF 29.7 million) in the 2023 financial year. The sales of the R&S Group consist to a material extent of income from long-term manufacturing contracts. The recognition of revenue and profits from these long-term manufacturing contracts depends on estimates and assumptions made by Management regarding the determination of the percentage of completion and the expenses incurred.

We consider the recognition of revenue from long-term manufacturing contracts to be a key audit matter, because the revenue recognition highly depends on the estimated degree of completion applied according to the percentage-of-completion method, which may not correspond to the actual degree of completion and the planned future revenues.

How the scope of our audit responded to the key audit matter

For the audit of revenue from long-term manufacturing contracts, we have performed the following audit procedures:

- Assessment of consistent application of the principles of revenue recognition in accordance with the PoC method.
- Examination of relevant controls for determining the degree of completion for design and implementation.
- Sampling examination of individual projects regarding:
 - compliance with the contractually stipulated progress and the acceptance agreements by reviewing these contracts.
 - Key assumptions made by the project managers and Management with regard to the project progress, the estimated degree of completion, and the forecasted expenses and income of the planned project progress.
- Retrospective analysis of completed projects to assess the reliability of Management's estimates.
- Assessment of recoverability of receivables associated with manufacturing contracts through reconciliations of payment received after the year end date and/or through discussions with Management.

Based on these audit procedures performed, we have obtained sufficient and appropriate audit evidence to address the risk of incorrect revenue recognition and valuation from long-term manufacturing orders using the percentage-of-completion method.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be CHF 1'800'000, which is below 5% of adjusted pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF 90'000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at the financially significant components in Switzerland (3 components), Poland (2 components) and Italy (1 component). These were subject to a full audit.

These 6 group companies represent the principal business units and account for 98.4% of the group's net assets, 93.0% of the group's revenue and 98.6% of the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for the four components was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from CHF 800'000 to CHF 1'200'000.

We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team visited each of the locations where the group audit scope was focused.

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

Report on Other Legal and Regulatory Requirements

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

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

Deloitte AG



Christophe Aebi

Licensed Audit Expert

Auditor in Charge



Dominik Voegfli

Licensed Audit Expert

Zurich, 16 April 2024



R&S

**Rauscher
Stoecklin**

Statutory Financial Statements of R&S Group Holding AG

Profit and loss statement of R&S Group Holding AG

	Notes	01.11.2022 31.12.2023 TCHF	01.11.2021 31.10.2022 TCHF
Operating expenses	4.6	-9'341	-4'741
Personnel costs	4.7	-145	-137
Operating result (EBIT)		-9'486	-4'878
Financial income	4.9	3'181	0
Financial expenses	4.8	-287	-251
Loss before income taxes		-6'592	-5'129
Tax income/(expenses)		-42	0
Loss		-6'634	-5'129
Accumulated loss at the beginning of the year		-5'601	-472
Net result		-6'634	-5'129
Offset capital contribution reserve	4.5	2'073	0
Accumulated loss at the end of the year		-10'162	-5'601

The balance sheet date of R&S Group Holding AG was changed from 31 October to 31 December for the financial year 2023 to align with its subsidiaries. Accordingly, the financial year 2023 refers to the 14-months period from 1 November 2022 to 31 December 2023 while the comparative period includes the 12 months from 1 November 2021 to 31 October 2022.

Statutory Financial Statements of R&S Group Holding AG

Balance Sheet per 31 December 2023 of R&S Group Holding AG

Assets	Notes	31.12.2023 TCHF	31.10.2023 TCHF
Current assets			
Cash and cash equivalents		3'488	3'626
Cash balances held in escrow	4.1	0	198'018
Other short-term receivables	4.2	1'483	86
Prepaid expenses		1	6
Total current assets		4'972	201'736
Investments	4.3	274'000	0
Total non-current assets		274'000	0
Total assets		278'972	201'736
Liabilities and equity			
Liabilities			
Accounts payable		1'168	0
Other short-term liabilities		544	105
Accruals		316	173
Short-term financial liabilities	4.4	8'700	0
Total current liabilities		10'728	278
Long-term financial liabilities	4.4	30'000	0
Total non-current liabilities		30'000	0
Total liabilities		40'728	278
Equity			
Share capital	4.5	2'893	2'353
Statutory capital contribution reserve	4.5	255'513	204'706
Own shares	4.5	-10'000	0
Accumulated losses		-10'162	-5'601
Total equity		238'244	201'458
Total Liabilities and equity		278'972	201'736

Statutory Financial Statements of R&S Group Holding AG

1 Corporate Information

R&S Group Holding AG, formerly named VT5 Acquisition Company AG, (“the Company”) was incorporated on 2 March 2021 in Switzerland as a limited company constituted in accordance with Swiss law. The address of the Company’s registered office is Churerstrasse 25, 8808 Pfäffikon SZ, Switzerland.

The purpose of the Company is to operate a company in the technology sector and to hold companies in this technology sector in a group under uniform management, to acquire, manage, transfer and sell patents, trademarks and technical and industrial knowledge as well as real estate in Switzerland and abroad, to invest in other companies in Switzerland and abroad, to establish branches and found subsidiaries, and to conduct all other business that directly or indirectly promotes the aforementioned purposes.

The Company’s financial year runs from 1 January to 31 December. The financial year was changed to align with the Company’s subsidiaries and previously ran from 1 November to 31 October. Accordingly, the financial year 2023 spans the 14 months period from 1 November 2022 to 31 December 2023 while the comparative figures refer to the 12 months from 1 November 2021 to 31 October 2022.

The Board of Directors approved these financial statements for issue on 16 April 2024. They will be submitted for approval to the Annual Shareholders Meeting to be held on 28 May 2024.

2 Initial Business Combination

On 11 December 2023, the Company’s Shareholders Meeting approved the Initial Business Combination (“IBC”), respectively the acquisition of 100% shares of R&S International Holding AG (“RSI”) and its subsidiaries for a total purchase consideration of CHF 274 million consisting of a cash payment of CHF 203.6 million and the issuance of seven million own shares valued CHF 70.4 million. As stipulated by the Articles of Association, prior to the shareholders meeting, the Company granted the holders of registered preference shares (Class A Shares) the right to resell the Class A Shares held by them to the Company (“Right to Resell”). A total of 7’059’797 shares were redeemed, whereas three million of the redeemed shares were resold to investors, three million shares were used to buy RSI shares, and one million shares kept as own shares.

The effects on the balance sheet are outlined in the respective notes. The cost related to the IBC were recognized in the profit and loss statement.

Statutory Financial Statements of R&S Group Holding AG

3 Accounting Principles

General

These annual financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations (32nd Title of the Code of Obligations). The significant valuation policies employed that are not prescribed by the Code are described below.

Foreign currencies

These financial statements are presented in Swiss francs (CHF), which is the Company's functional and presentation currency.

Transactions denominated in currencies other than Swiss franc are recorded at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date to the functional currency at the foreign currency exchange rate of that date. Foreign exchange differences arising on translation of such foreign denominated monetary assets and liabilities are recognized in profit or loss.

Equity

Equity includes share capital, statutory capital contribution reserve, reserve for own shares and accumulated losses. Share capital is the nominal value of all outstanding shares. Capital reserves contain payments by shareholders in excess of the nominal value. The reserve for own shares includes own shares held by the Company. Accumulated loss refers to undistributed gains and losses.

Cash flow statement and additional disclosures not included in the notes

Since R&S Group Holding AG prepares consolidated financial statements in accordance with Swiss GAAP FER, a recognized accounting standard, in compliance with the statutory provisions, it has not included disclosures on audit fees in these notes and is exempted from preparing additional notes or a cash flow statement.

Going concern

The financial statements were prepared on a going concern basis. There are no indications that the Company should not be able to continue as a going concern.

Statutory Financial Statements of R&S Group Holding AG

4 Financial information

4.1 Cash balances held in escrow

The Company had transferred all of the gross proceeds from the IPO on 15 December 2021 reduced by a deduction for the Swiss Federal Issuance Stamp Tax to the two escrow accounts held with Privatbank IHAG Zurich AG and EFG Bank AG at equal amounts. Initially, CHF 99'000'004.95 were deposited in each escrow account.

Until 22 September 2022, these balances were subject to negative interest of 0.23% fully balanced by payments to the escrow account from the Company's bank account. From 23 September 2022, these deposits received 0.50% positive interest, which increased to 1.00% on 16 December 2022, to 1.50% on 24 March 2023 and 1.75% on 23 June 2023. Interest, net of withholding taxes, was settled directly to the escrow accounts on a quarterly basis.

The proceeds held in the escrow accounts were fully released in the course of the IBC on 12 December 2023. The funds were used to repay the shareholders that redeemed their shares (right to resell) and to acquire R&S International Holding AG.

4.2 Other short-term receivables

Other short-term receivables as per 31 December 2023 mainly included the withholding tax receivable from the interest received on the cash balances held in escrow of CHF 1'119 thousand, VAT receivables and other minor current receivables.

4.3 Investments

Investments include the investment made in R&S International Holding AG and its subsidiaries for a total purchase consideration of CHF 274 million as approved on 11 December 2023 by the Company's Shareholders Meeting (31 October 2022: none).

		Share Capital	Ownership in %	
			2023	2022
R&S International Holding AG (Sissach, Switzerland), direct	TCHF	44'822	100	0
Rauscher & Stoecklin AG (Sissach, Switzerland), indirect	TCHF	500	100	0
Tesar S.r.l. (Subbiano, Italy), indirect	TEUR	2'080	100	0
ZREW Transformatory S.A. (Łódź, Poland), indirect	TPLN	12'598	100	0
Tesar Polska Sp. z o.o. (Niepolomice, Poland), indirect	TPLN	100	100	0
Tesar Gulf Power Transformers LLC (Al Ain, UAE), indirect	TAED	8'800	100	0

The capital and voting rights do not differ from the ownership rights disclosed.

Statutory Financial Statements of R&S Group Holding AG

4.4 Bank loans

For the financing of the IBC, the Company received a credit facility of CHF 40 million from a bank, of which CHF 38.7 million were drawn on 12 December 2023 and as per 31 December 2023. The credit facility is reduced by CHF 2.5 million on a quarterly basis starting from 31 March 2024.

4.5 Shareholders' equity

Issued Capital

As per 31 December 2023, the subscribed share capital amounted to CHF 2'892'941.20 (31 October 2022: CHF 2'352'941.30) and was divided into 28'929'412 registered ordinary shares with a nominal value of CHF 0.10 each (31 October 2022: 1'764'706 registered ordinary founder shares with a nominal value of CHF 0.10 each and 21'764'707 registered preference shares (Class A Shares) with a nominal value of CHF 0.10 each). The share capital is fully paid up. Each share entitles its holder to one vote.

In December 2023, in line with the approvals of the Company's Shareholders Meeting, in the course of the IBC, the following changes to the shareholders equity were conducted:

- Creation of only one class of shares: the 1'764'706 registered ordinary founder shares and 21'764'707 Class A Shares and were converted into 23'529'413 registered ordinary shares.
- Increase of the share capital by 2'372'000 registered ordinary shares with a nominal value of CHF 0.10 on 11 December 2023 by cash contribution. The capital increase was carried out net of a capital decrease of 1 registered ordinary share with a nominal value of CHF 0.10 in the context of the buyback of redeemed Class A shares in the course of the IBC.
- Increase of the share capital by 2'734'898 registered ordinary shares with a nominal value of CHF 0.10 on 13 December 2023 by a contribution in kind of 4'473'876 registered shares with a nominal value of CHF 1.00 of R&S International Holding AG.
- Increase of the share capital by 293'101 registered ordinary shares with a nominal value of CHF 0.10 on 20 December 2023 by a contribution in kind of 479'469 registered shares with a nominal value of CHF 1.00 of R&S International Holding AG.

Statutory Financial Statements of R&S Group Holding AG

	Founder shares	Class A shares	Ordinary shares	Total shares	Total share capital TCHF
Balance as at 31 October 2022	1'764'706	21'764'707		23'529'413	2'353
Conversion at IBC	(1'764'706)	(21'764'707)	23'529'413	-	
Capital increase 11 December 2023			2'372'000	25'901'413	2'590
Capital increase 13 December 2023			2'734'898	28'636'311	2'864
Capital increase 20 December 2023			293'101	28'929'412	2'893
Balance as at 31 December 2023			28'929'412	28'929'412	2'893

In addition, with the Initial Public Offering ("IPO") on 15 December 2021, the Company has issued 6'666'657 Warrants which may be exercised to subscribe for registered ordinary shares for CHF 11.50. No warrant was exercised in the financial year 2023, and no warrants were issued or expired.

No dividend was paid in the reporting period or in the previous year.

Capital contribution reserves

The capital increase on 11 December 2023 led to a contribution of CHF 23'674'103.03 from the publicly offered registered ordinary shares. The capital increase on 13 December 2023 led to a contribution in kind with a value of CHF 27'348'980.00 and the capital increase on 20 December 2023 led to a contribution in kind with a value of CHF 2'931'010.00. Capital paid in excess of the nominal value, net of issuance stamp duty, was accounted for as statutory capital contribution reserve.

In addition, as approved by the Shareholders Meeting on 11 December 2023, capital contribution reserves not recognized by the tax authorities in the amount of CHF 2'073'050.80 were offset with the accumulated loss. As per 31 December 2023, capital contribution reserves of CHF 202'632'841.90 have been reviewed and approved by the tax authorities.

	TCHF
As at 31 October 2022	204'706
Not recognized by the tax authorities	-2'073
Approved by the tax authorities	202'633
Capital increase 11 December 2023	23'674
Capital increase 13 December 2023	27'349
Capital increase 20 December 2023	2'931
./. Nominal value of the capital increases	-540
./. Stamp duty on the capital increases	-534
As at 31 December 2023	255'513

Statutory Financial Statements of R&S Group Holding AG

Own shares

As per 31 December 2023, the Company held 1'000'000 own shares with a nominal value of CHF 0.10 each (31 October 2022: none) acquired from the "Right to Resell" before the IBC and not resold (refer also to Note 2. Initial Business Combination).

	Average share price	Quantity	Total TCHF
Balance as at 31 October 2022	-	-	-
Acquired (right to resell before IBC)	CHF 10.00	7'059'797	70'598
Sold / Re-issued	CHF 10.00	-6'059'796	60'598
Cancelled	-	-1	0
Balance as at 31 December 2023	-	1'000'000	10'000

On 19 December 2023, the Board of Directors approved a grant of 100 equity-settled non-conditional R&S Group Shares to all employees, effective on 31 December 2023, and valued at the market price on that date of CHF 10.60. The share based payment will be settled in 2024. The company will issue the shares to the employees and recharge the costs to the subsidiaries, which booked the expenses and the accrual related to the bonus in financial year 2023.

Authorized share capital

The authorized share capital expired on 14 December 2023, and accordingly the Company did not have any authorized share capital as of 31 December 2023.

Conditional share capital for financing, acquisitions, and other purposes

In accordance with article 3.1.2 of the Company's Articles of Association, the share capital may be increased under the exclusion of the pre-emptive rights of the shareholders by the issuance of up to 11'764'706 fully paid-in registered shares with a nominal value of CHF 0.10 each, up to an amount of CHF 1'176'470.60, by means of the exercise or mandatory exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted to shareholders or third parties alone or in connection with bonds, notes, options, warrants or other securities or contractual obligations of the Company or any of its subsidiaries (hereinafter collectively the "Financial Instruments"). The conditional share capital is unchanged as of 31 December 2023.

Statutory Financial Statements of R&S Group Holding AG

Significant shareholders

The Company is aware of the following shareholders, who according to article 120f. FMIA (Financial Market Infrastructure Act) held more than 3% of the voting rights (based on the share capital registered in the commercial register) as per 31 December 2023 respectively 31 October 2022. The disclosure notices are published on the website of the disclosure office.¹

Direct shareholder	Beneficial owner	Registered shares	
		31 December 2023	31 October 2022
R&S Group Holding AG, CGS III (Jersey) Ltd., gen. partner of CGS III (Jersey) LP, Marc Aeschlimann, Marcus Jauslin	n/a	28.12%	0.00%
Veraison SICAV and Founders (Founders individually <3%)	Veraison SICAV and other Founders (Founders individually <3%)	12.20%	15.00%
Veraison SICAV	n/a	0.00%	11.30%
UBS (CH) Instit. Fund Small & Mid Cap Equi. Swi. (3.41%)	UBS Fund Management (Switzerland) AG	0.00%	11.90%
Single funds (RoPAS (CH) Institutional Fund – Equities, Switzerland and UBS (CH) Institutional Fund - Small & Mid Cap Equities Switzerland) crossing below 3%	UBS Fund Management (Switzerland) AG	11.70%	0.00%
Artemis Beteiligungen I AG	Michael Pieper	9.33%	11.30%
Point Break Capital LP	Point Break Capital Management LLC	0.00%	11.30%
LLB Swiss Investment AG	LLB Swiss Investment AG	5.43%	8.90%
Beteiligung Swisscanto (CH) Equity Fund Responsible Small & Mid Caps Switzerland (I) <3%	Swisscanto Fondsleitung AG	3.22%	0.00%

¹ <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

4.6 Other operating expenses

Other operating expenses of CHF 9'341 thousand (previous financial period: CHF 4'741 thousand) mainly include administrative, consulting, legal and audit fees, including costs for capital increases and related to the preparation and execution of the IBC.

4.7 Personnel expenses

Personnel expenses reflect the fixed compensation of the CFO and CCO until the date of the IBC.

Statutory Financial Statements of R&S Group Holding AG

4.8 Financial expenses

Financial costs mainly reflect the interest expenses and fees for the bank loan. In the previous accounting period, financial costs, mainly presented the net interest expenses on the escrow accounts.

4.9 Financial income

Financial income mainly reflects the net interest income on the escrow accounts.

4.10 Leasing

The Company did not enter in any leasing transactions similar to sales contracts or any other leasing agreements that do not expire or cannot be cancelled within twelve months of the balance sheet date.

5 Other disclosures

5.1 Full-time employees

The Company had fewer than 10 employees in the financial period ended 31 December 2023 (previous financial period: fewer than 10).

5.2 Liabilities to pension funds

As per 31 December 2023, the Company had no outstanding liabilities to pension funds (31 October 2022: CHF 4 thousand).

5.3 Contingent liabilities

As per 31 December 2023, the Company did not have outstanding contingent liabilities (31 October 2022: none).

5.4 Related parties

Apart from circumstantial out of pocket expenses of the Board and management and expenses for business meals and minor administrative support, there were no transactions with related parties during the period and no outstanding balances with related parties as of 31 December 2023.

There have been no guarantees provided or received for any related party receivables or payables. There are also no other commitments with related parties. There were no advances or loans granted to members of the management or the Board of Directors.

Statutory Financial Statements of R&S Group Holding AG

5.5 Shares held by members of management and those charged with governance

The following participations in R&S Group Holding AG were held by the Board of Directors and of the Executive Board including related parties as of 31 December 2023:

Name	Position	Ordinary Shares	Warrants
Gregor Greber	Member of the Board of Directors	718'273	-
Heinz Kundert	Chair of the Board of Directors	534'706	-
Andreas Leutenegger	Member of the Board of Directors, CEO	514'706	-
Rolf Lanz	Member of the Board of Directors	200'000	10'000
Markus Laesser	CEO	100'000	-
Matthias Weibel	CFO	100'000	-
Beatrix Natter	Member of the Board of Directors	2'000	-
Total per 31 December 2023		1'449'412	10'000

The following participations in R&S Group Holding AG (formerly VT5 Acquisition Company AG) were held by the Board of Directors and of the Executive Board including related parties as of 31 October 2022:

Name	Position	Founders Shares	Class A Shares	Warrants
Gregor Greber	Member of the Board of Directors	588'236	10'000	-
Heinz Kundert	Chair of the Board of Directors	314'706	-	-
Andreas Leutenegger	Delegate of the Board of Directors, CEO	314'706	-	-
Christopher Detweiler	Member of the Board of Directors	294'118	-	-
Jennifer Maag	Member of the Board of Directors	205'882	-	-
Doris Rudischhauser	CCO	-	10'002	3'334
Anke Gerding	CFO	-	6'000	2'000
Total per 31 October 2022		1'129'412	16'002	5'334

5.6 Events after the balance sheet date

No material non-adjusting events after the reporting period occurred between 31 December 2023 and 16 April 2024.

Statutory Financial Statements of R&S Group Holding AG

Proposed dividend distribution from Capital contribution reserve and carry forward of accumulated loss

The Board of Directors proposes to the Annual General Meeting to pay a dividend of CHF 0.25 per share (previous year: none) out of the capital contribution reserve and carry forward the Accumulated loss amounting to CHF 10'162 thousand.

Proposal of the Board of Directors for the carry forward of Accumulated loss	31.12.2023	31.10.2022
	TCHF	TCHF
Carry forward from prior year	-5'601	-472
Net result	-6'634	-5'129
Offset capital contribution reserve	2'073	-
Accumulated losses at end of the year to carry forward	-10'162	-5'601

Proposal of the Board of Directors for the appropriation of capital contribution reserves	31.12.2023	31.10.2022
	TCHF	TCHF
Carry forward from prior year	204'706	2'824
Capital increase (incl. offset capital contribution reserve)	50'807	201'882
Capital contribution reserve as the end of the year	255'513	204'706
Proposed dividend payment of CHF 0.25 per share	-6'982	-
Balance after distribution	248'531	204'706

Report of the Statutory Auditor

To the General Meeting of
R&S GROUP HOLDING AG, FREIENBACH

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of R&S Group Holding AG (formerly VT5 Acquisition Company AG) (the Company), which comprise the balance sheet as at 31 December 2023 and the income statement for the period from 1 November 2022 to 31 December 2023 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (on pages 96 to 107) comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

Furthermore, we confirm that the proposed dividend distribution from capital contribution reserves and the carry forward of the accumulated deficit complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte AG



Christophe Aebi

Licensed Audit Expert

Auditor in Charge



Dominik Vögtli

Licensed Audit Expert

Zurich, 16 April 2024

Glossary

Glossary

Financial Glossary

Cash flow from operations

Profit/loss of the year less gains/losses on the disposal of fixed assets, changes in non-current provisions, inventories, and changes in current assets and liabilities.

Cash flow from financing activities

Cash flow from equity contributions minus payments to owners plus cash flow from raising financial liabilities minus repayments of financial liabilities.

Cash flow from investment activities

Cash flow for investments and loans plus revenue from the disposal of fixed assets.

Operating result (EBIT)

Earnings before interests and taxes.

EBIT Margin

Ratio of EBIT to net sales.

EBITDA

Operating result before amortization and depreciation.

EPS (earnings per share)

Earnings after taxes, divided by the average weighted number of issued shares.

Floating price-clauses

Part of the client contract allowing price adjustments for increasing raw material prices.

Market capitalization

Share price at balance sheet date multiplied by the total number of shares.

Net sales

Revenue from the sale of products and/or services after sales related deductions.

Order intake

Incoming orders include all binding customer orders received as of the operating date.

Own shares

Shares acquired and held by the Company to meet the obligations to deliver shares upon exercise of the Warrant, share-based payment plans and to achieve capital reductions.

Warrant

An option entitling the holder to receive Company shares upon exercise during the exercise period. The pre-defined exercise price is subject to certain adjustments.

Glossary

Product Glossary

AC

Alternating Current. An electric current that periodically reverses direction and changes its magnitude continuously with time.

DC

Direct Current. An electric current that flows only in one direction.

Distribution transformers (DT)

Transformer historically used to step down the voltage for distribution to domestic or commercial users. Nowadays, more and more distribution transformers are also stepping up electric energy generated e.g. by solar power plants on households to medium voltage distribution grids.

kV

Kilo volt: one-thousand-volt. Volt is a unit of electromotive force.

MVA

Mega volt ampere: one-million-volt-ampere. A unit of measurement of apparent power in an electrical circuit. It is dimensionally equivalent to the watt.

Oil-immersed transformers

Oil used as insulation and cooling material.

Power transformers (PT)

Transformers used to step up voltage from power generating devices to transmission grids or to step down the voltage from transmission grids to distribution grids.

Cast-resin transformers (CRT)

Transformers using epoxy resin as insulation and cooling material, usually having a lower temperature rise than oil-immersed transformers.

Step-up / step-down transformers

Transformers capable of changing voltage and electric current.

Switchgear / Switchboard

An electrical device used to route power from one source to several outputs. It provides control and overcurrent protection.

Transformers

A device that converts electric power from one circuit (input) with voltage 1 and current 1 to a secondary circuit (output) with voltage 2 and current 2.

Transformers in electricity grids are mainly based on the induction principle converting an alternating current 1 and voltage 1 in the input coil into a magnetic field that induces a current 2 and voltage 2 in the output coil.

Wind farms

A group of wind turbines in the same area used to produce electricity.

Share Information

Share Information

Share price performance (indexed)¹

Source: <https://www.six-group.com/de/products-services/the-swiss-stock-exchange/market-data/shares/share-explorer/share-details.CH110797983CHF4.html#/chart>

The SMIM (SMI Mid) comprises the 30 largest mid-cap stocks in the Swiss equity market that are not included in the blue chip SMI index.

¹ Share price information before the IBC on 11 December 2023 relates to the VT5 Acquisition Company AG

Listing information

	Share	Warrant
Stock exchange listing	SIX Swiss Exchange symbol: RSGN	SIX Swiss Exchange symbol: RSGW
Reuters	RSGN:SW	-
Security number	110797983	110800808
ISIN	CH1107979838	CH1108008082

Share information in CHF

	31.12.2023	31.10.2022	Change in %
Closing price at the end of the year ²	10.60	9.40	12.8
Highest price ²	11.80	10.70	10.3
Lowest price ²	9.40	9.40	-
Market Capitalization at the end of the year (MCHF) ³	306.7	188.0	63.1

² Share price information before the IBC on 11 December 2023 relates to the VT5 Acquisition Company AG

³ based on shares issued

⁴ The market capitalization of the 20'000'001 publicly traded VT5 Acquisition Company AG class A shares amounted to CHF 188 million. 3'529'412 shares were not publicly listed.

Own shares

	31.12.2023	31.10.2022	Change in %
Shared issued	28'929'412	23'529'413	22.9
Own shares outstanding	-1'000'000	-	-
Shares outstanding	27'929'412	23'529'413	18.7

Forward Looking Statements

Forward looking statements

This report contains statements that constitute forward-looking statements, including statements of the future financial performance of the Company, its plans and objectives and their anticipated effect on the Company's future business and development, as well as other projections and statements that are forward-looking or contain subjective assessments, regarding the intent, belief or current expectations of the Company. The Company has tried to identify those forward-looking statements by using words such as 'may', 'will', 'would', 'should', 'expect', 'intend', 'estimate', 'anticipate', 'project', 'believe', 'plans', 'predict' and similar expressions. Such statements are made on the basis of assumptions, estimates and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous or unfounded in the future, as forward-looking statements are subject to risks and uncertainties that could cause the actual development, results and financial position of the Company to differ materially from the information presented herein. Many of these risks and uncertainties relate to factors that are beyond the company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behavior of other market participants, the performance, security and reliability of the company's information technology systems, political, economic and regulatory changes in the countries in which the company operates or in economic or technological trends or conditions. If one of these risks or uncertainties materialises or if underlying assumptions prove to be incorrect, actual outcomes may vary materially from those

indicated in the forward-looking statements. Other than in accordance with the ad-hoc publicity rules of the SIX Swiss Exchange, the Company undertakes no obligation to release publicly any revisions or updates to any forward-looking statements herein to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to reflect any change in the Company's expectations.



We guarantee energy

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