

Sales and new orders at record levels, profitability adversely affected by special costs

Berne, 28 March 2019. Against record sales of CHF 1,998 million (+2.2%) and new orders at a record CHF 2,221 million (+13.3%), EBIT stands at CHF 106 million (-10.8 %) and profitability at 5.3% (down from the previous year's 6.1%). There was a positive development in free cash flow, which increased from minus CHF 59 million to CHF 94 million. The net financial position also improved, from CHF 77 million to CHF 134 million. The Board of Directors is proposing payment of a dividend of CHF 30 million (previous year: CHF 40 million) to the Swiss Confederation.

The share of sales to the civilian sector remains at 56%, with the share of foreign sales also unchanged at 62%. The Swiss Federal Department of Defence, Civil Protection and Sport (DDPS) is still RUAG's principal and largest customer, although its share of sales fell slightly from 31% to 30%.

Overall, the Group generated net sales of CHF 1,998 million, representing an increase of CHF 44 million or 2.2%. EBIT and net profit fell by CHF 13 million and CHF 16 million respectively. The sharp decline in net profit is due to the higher tax rate, for which slightly reduced financial expenses compensated to some extent. All divisions except Aerostructures generated a profit. The order backlog increased overall to CHF 1,794 million (CHF 1,607 million), with new orders reaching as much as CHF 2,221 million (CHF 1,961 million). Both key figures show that RUAG is well prepared for the imminent unbundling.

Urs Breitmeier, CEO of the RUAG Group, commenting on the results at the annual press conference, said: "The renewed strong growth is encouraging. New orders and order backlog have reached record highs, and that makes me optimistic about the future. Most of the decline in EBIT is attributable to the challenges faced by the Aerostructures division – namely not only the expansion of capacity generally, but also the development of the location in Hungary. The results have also been impacted by expenditure of some CHF 5 million on preparations for the unbundling and on working out how to strategically realign future international business. In addition, extraordinary charges of CHF 4 million were incurred for the closure of the maintenance operation for civilian aircraft at Bern-Belp and the creation of a reserve amounting to some CHF 7 million to streamline the portfolio within the Ammotec division."

Actions and programmes to enhance profitability in both production and support areas were further stepped up. In the course of the financial year, cost-cutting programmes were added, recruitment of new staff suspended and the Bern-Belp location closed down. Constant and sustainable improvement in profitability will remain a priority in future.

The Board of Directors is proposing a dividend of CHF 30 million (CHF 40 million) for the financial year 2018. This is equivalent to about 41% of the Group's net profit. Expenditure on research and development fell slightly by CHF 2 million to CHF 179 million and amounts to 9.0% (9.2%) of net sales. The proportion of research and development costs that were self-funded came to 26% (30%). Despite the increase in sales, the number of persons employed by the Group was reduced from 9,189 to 9,127 as at 31 December 2018, a reduction of 0.7%.

RUAG has a sound financial position. As at 31 December 2018, the Group's net financial position was CHF 134 million (CHF 77 million). The rise in cash flow from operating activities despite lower operating results is largely attributable to substantially improved management of net current

assets, which rose to CHF 176 million (CHF 88 million). There was a considerable increase in free cash flow in 2018, to CHF 94 million (minus CHF 59 million). This gratifying result is attributable not only to a reduction in net current assets, but also to a slight reduction in investments compared with the previous year. In addition, the acquisitions made in 2017 weighed heavily on free cash flow in the previous year.

On the basis of the healthy state of its order book, RUAG expects its sales to remain at a good level in 2019. In comparison to 2018, net profit will however drop considerably due to the costs required for the unbundling and repositioning of RUAG as per the decision of the Federal Council.

Key figures in brief

in CHF m

	2018	2017	Change in %
Order intake	2 221	1 961	13.3 %
Order backlog	1 794	1 607	11.6 %
Net sales	1 998	1 955	2.2 %
Operating income	2 013	1 990	1.2 %
EBITDA	186	196	-5.1 %
EBIT	106	119	-10.8 %
Net profit	74	89	-17.7 %
Cash flow from operating activities	176	88	101.0 %
Free cash flow	94	(59)	259.8 %
Net financial position	134	77	74.6 %
Research and development expenses	179	181	-0.8 %
Employees (FTE) as at 31 December incl. apprentices	9 127	9 189	-0.7 %

Major events in 2018

Full details can be found at www.ruag.com.

- 26 January 2018: RUAG and the Dutch Coastguard sign maintenance contract for two Dornier 228s
- 22 February 2018: RUAG Defence wins its first NATO contract, for the supply of "Tactical Access Nodes (TAN)".
- 26 April 2018: Remo Lütolf elected as new Chairman of the Board of Directors of RUAG at the Annual General Meeting.
- 27 June 2018: Swiss Federal Council approves concept for the unbundling of RUAG
- 12 June 2018: RUAG Defence wins integration project for the development of disinfection and sterilisation systems for the Swiss Armed Forces.
- 20 July 2018: RUAG Space delivers four more guidance computers – what might be called the brains keeping an eye on payload and other subsystems – for the Galileo satellites.
- 19 September 2018: 2 gold, 1 silver, 1 bronze: RUAG apprentices triumph at SwissSkills
- 4 October 2018: Defence division renews the Swiss Armed Forces' broadband transmission system (BBUS)

- 7 November 2018: Swiss base frame for weather satellites: RUAG Space involved in ESA MetOp project
- 19 January 2019: In December, RUAG signs a contract for the modernisation of eight Swiss Air Force transport helicopters

For further information on the Annual Report: annualreport.ruag.com

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RUAG develops and markets internationally sought-after technology applications in the fields of aerospace, security and defence for use on land, in the air and in space. 56 % of RUAG's products and services are destined for the civilian market and 44 % for the military market. The Group is headquartered in Berne, Switzerland. It has sites in Switzerland and 15 other countries in Europe, the USA and Asia-Pacific. RUAG generates sales of approximately CHF 2.0 billion and employs more than 9,100 people – of whom 400 are apprentices.