

Press release on annual financial statement 2019 (press embargo, 06.05.20, 11.00 a.m.)

Conversion into a global aerospace group launched - exceptional expenses impact the results

Zurich, 06.05.2020. In 2019, the international technology group RUAG exceeded the 2 billion sales mark for the first time. However, the sales of CHF 2,003 million (previous year: CHF 1,998 million) are offset by a negative EBIT of CHF 7 million (previous year: positive EBIT of CHF 106 million). The main reason behind the negative operating result was the separation costs for unbundling and the related decision to sell off some of the international activities. This portfolio clean-up led to exceptional expenses for the programme to manufacture the Dornier 228. The conversion into a global aerospace group is making important progress with the sale of Clearswift and two civil Swiss aircraft maintenance locations.

Overall, the Group generated net sales of CHF 2,003 million. Adjusted for foreign currency effects and the effects of divestments, this corresponds to a net sales growth of 3.4% compared to the previous year. Order intake and order backlog remained at a high level at CHF 1,893 million (CHF 2,221 million) and CHF 1,634 million (1,794 million) respectively. The net financial position improved significantly to CHF 237 million (CHF 134 million) as did free cash flow, rising to CHF 135 million (CHF 94 million). These solid figures are offset by a negative trend in operating income and net profit. EBIT and net profit fell to CHF -7 million (CHF 106 million) and CHF -25 million (CHF 74 million) respectively due to extraordinary expenses.

The course taken shows positive results

In 2019, the operating business developed differently in the divisions. RUAG Space, RUAG Ammotec and RUAG MRO Switzerland generated profits. However, the RUAG MRO International division, which is earmarked for sale, and the RUAG Aerostructures division posted losses due to extraordinary expenses. At RUAG MRO International, the negative result is due to extensive value adjustments and special write-offs totalling around CHF 58 million on the programme to manufacture the Dornier 228.

In the Aerostructures business unit, the restructuring programmes that have been launched are having an impact. Thanks to the Airbus single aisle programme, the division's sales increased by 12% this year (5% last year). Impairment charges and restructuring costs of CHF 10 million, mainly due to the end of the A380 programme and restructuring costs for aerostructure construction in Emmen, negatively affected the result. Added to this are negative effects from the ordinary revaluation of pension fund provisions due to the lower interest rate level in Germany (RUAG Ammotec) and Sweden (RUAG Space and RUAG Ammotec) totalling CHF 16 million.

Urs Kiener, interim CEO of RUAG International, said at the Annual Press Conference, "We can look back on a challenging year. For the first time, RUAG exceeded the CHF 2 billion sales mark. The fact that in a year of transformation, unbundling and simultaneous divestments we have increased our sales and maintained our focus on the customer, particularly underlines the skills of our employees. With a net financial position of CHF 237 million, RUAG also has a stable financial basis for its transformation to become an aerospace group."

Unbundling reaches important milestones

The unbundling of RUAG, required by the Federal Council, was vigorously pursued in the year under review and RUAG MRO Switzerland began operations as an organisationally independent company as planned on 1 January 2020. In 2019, organisational structures for the new units were established and important legal entities such as the new holding company BGRB Holding, chaired by Monica Duca-Widmer, were founded.

With the split of the balance sheet, which the Swiss Federal Council took note of on 22 April, and the transfer of RUAG MRO Switzerland's IT to the security perimeter of the Armed Forces Command Support Organisation, the unbundling will be physically completed by mid-2020. From that point onwards, RUAG International and RUAG MRO Switzerland will operate both operationally and legally independently of each other.

In the context of the portfolio clean-up the aim is still to sell all business units within RUAG MRO International and RUAG Ammotec. For the ongoing transformation of RUAG International into a global aerospace group, the Board of Directors is currently seeking a suitable CEO to succeed Urs Breitmeier, who left the company at the end of 2019.

The Board of Directors proposes waiving a dividend payment to the Swiss Confederation. Last year's dividend payment amounted to CHF 30 million. Expenditure on research and development amounted to CHF 173 million (CHF 179 million). The number of full-time positions fell to 9,091 (9,127) at the end of the year. On the one hand, the number of positions decreased due to the divestments made, while on the other hand the increased sales at Aerostructures, Ammotec and RUAG MRO Switzerland led to an increase.

At 56%, the share of sales in the civil sector remained just as stable as the share in the foreign sector 63% over the reporting year. By far the most important customer was the Swiss Federal Department of Defence, Civil Protection and Sport (DDPS), which accounted for 32% of sales (previous year 30%).

Outlook

Over the next two to three years RUAG's main priorities will be on the one hand to transform itself into a global aerospace group by selling the business units within MRO International and RUAG Ammotec, and streamlining the aerospace group's support functions, and on the other hand to consolidate RUAG MRO Switzerland. The unbundling and transformation costs that will continue into 2020 and the possible effects of the corona crisis will have a negative impact on the business results of both RUAG International and RUAG MRO Switzerland.

Key figures at a glance

	2019	2018	Change in %
Order intake	1 893	2 221	-14.8 %
Order backlog	1 634	1 794	-8.9 %
Net sales	2 003	1 998	0.2 %
Operating income	1 988	2 013	-1.3 %
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	86	186	-54.0 %
EBIT	(7)	106	-106.9 %
Net profit	(25)	74	-139.2 %
Cash flow from operating activities	133	176	-21.3 %
Free cash flow	135	94	44.5 %
Net financial position	237	134	76.7 %
Research and development expenses	173	179	-3.5 %
Employees as at 31 December incl. apprentices	9 091	9 127	-0.4 %

Important events in 2019

The detailed press releases are available at www.ruag.com.

- 18.12.2019: RUAG celebrates 40 years of successful cooperation with Ariane on 250 missions.
- 02.12.2019: RUAG sells the British cybersecurity specialist Clearswift to the American company HelpSystems in line with its new strategic orientation.
- 15.11.2019: The Federal Government and RUAG celebrate the launch of the new holding company BRGB Holding, chaired by Monica Duca-Widmer.
- 29.08.2019: Lukas Muth wins the silver medal in CNC turning at the 2019 World Skills Championships in Kazan (Russia).
- 02.07.2019: RUAG sells its two business jet locations in Geneva-Cointrin and Lugano-Agno to Dassault Aviation.
- 28.06.2019: The Federal Audit Office (SFAO) found no manipulation in its review of the profit margin in the maintenance of the DDPS systems and certifies that conduct complied with the contract.
- 10.04.2019: RUAG can supply structures and payload fairings for the future launch vehicle of the Japanese space agency JAXA.
- 09.04.2019: The RUAG telephony solution (TTEL) will be used in future in the key ICT project, Armed Forces Voice System (VSdA).
- 25.03.2019: RUAG and the Austrian Armed Forces agree on a partnership to strengthen the understanding of military national defence.
- 18.03.2019: The Federal Council has decided to further develop RUAG International into an aerospace technology group.

- 12.03.2019: RUAG Australia wins the *Best Written Paper Award* in connection with additive metal processing technology (Supersonic Particle Deposition; SPD).
- 21.02.2019: RUAG supplies structures, heat protection and satellite containers for the telecommunications satellites of the US company OneWeb.

Further information on the annual report: annualreport.ruag.com

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RUAG International is a Swiss technology group focusing on the aerospace industry. Based in Zurich (Switzerland) and with production sites in 14 countries, the company is divided into four divisions: Space, Aerostructures, MRO International and Ammotec. With its strategic focus on the Aerospace business unit, the company will consist of the two divisions Aerostructures and Space in the medium term. RUAG Space is Europe's leading supplier of products used in the aerospace industry. RUAG Aerostructures is a global first-tier supplier in aircraft structure construction. RUAG International employs around 6,500 people, two thirds of whom work abroad.

www.ruag.com

We at **RUAG "MRO Switzerland"** make a significant contribution to the security of Switzerland. As a forward-looking technology partner to the Swiss Armed Forces, our focus is on life cycle management and the operation and availability of military systems. All business activities are heavily focused on the procurement programmes of our main client, the Swiss Armed Forces. Our comprehensive portfolio of products and services includes unique subsystems and components for tracked and wheeled vehicles, combat jets, military helicopters and air defence. Added to this are reliable information and communication solutions as well as comprehensive maintenance and repair services. Our customers are primarily national and international armed forces, authorities and civil security organisations.