

Media release on the 2020 Annual Report
(Not to be released until 25 March 2021, 11 a.m.)

Pandemic and exceptional expenses weigh heavily on results of RUAG International

Zurich, 25 March 2021. The biggest crisis in the aviation industry weighed heavily on results in the 2020 financial year. Sales of CHF 1,181 million (previous year: CHF 1,388 million) are set against an EBIT of CHF -224 million (previous year: CHF -80 million). This negative result is mainly due to the effects of the COVID-19 pandemic. It led to a drop in sales of around 30% in the two aviation-related business segments, Aerostructures and MRO International, and to project delays throughout the company. As a result, RUAG International had to record special write-downs and provisions amounting to around CHF 160 million. In addition to cost-cutting programmes already underway and short-time working hours, the company has initiated strategic changes for 2021. RUAG International employs 6,299 people and generates 81% of all sales abroad.

Overall, the Group generated net sales of CHF 1,181 million, a decrease of 14.9% compared to the previous year. Adjusted for exchange rate effects, the decline amounts to 12.4%. Order intake decreased by 5.2% to CHF 1,214 million and the volume of orders declined by 4.9% to CHF 1,169 million. The operating result (EBIT) amounted to CHF -224 million and the net loss to CHF -219 million, while cash flow from operating activities was still slightly positive at CHF 19 million. The negative change is mainly due to a decline in sales of around 30% in the aviation businesses RUAG Aerostructures and RUAG MRO International, which were severely impacted by the pandemic, and a subdued market outlook in the aviation sector for the coming years. The pandemic also had a negative impact on business in all other segments through travel restrictions, lockdowns and project postponements. The company has responded to the challenges with comprehensive cost-cutting programmes, short-time working hours and early restructuring initiatives.

Special write-downs and provisions

In 2020, the operating business developed differently in the divisions – although the effects of the pandemic could be felt in all business segments. Special write-offs and provisions amounting to around CHF 160 million were the consequence and these weighed heavily on the company's results. Due to the completely changed market situation and because it must be assumed that it will take years for air traffic to return to pre-pandemic levels, RUAG Aerostructures had to make extraordinary value adjustments and provisions amounting to CHF 84 million. Added to these was a book loss of CHF 50 million in connection with the sale of the aviation activities in the RUAG MRO International business unit at the Oberpfaffenhofen site. General Atomics Europe GmbH, a strategic investor, has taken over by end of February 2021 the maintenance, repair and operations activities for business aircraft and military helicopters as well as the production of the Dornier 228 at the Oberpfaffenhofen site and all 420 employees.

The corporate result was further impacted by the recognition of restructuring provisions in the amount of CHF 20 million for organisational measures initiated at RUAG Space and the global support functions. RUAG International had to set aside a further CHF 7 million for the usual revaluation of pension fund provisions due to lower interest rates in Germany and Sweden.

RUAG Space, RUAG Aerostructures and RUAG MRO International posted negative EBIT as a result, with net sales declining. Encouragingly, RUAG Ammotec again succeeded in increasing both sales and EBIT in 2020 and proved extremely robust even in the COVID-19 crisis.

RUAG International generated 81% of all sales outside Switzerland

As at the end of December 2020, the company employed 6,299 people at 50 sites worldwide (previous year: 6,492). RUAG International's share of sales to the DDPS (Swiss Federal Department of Defence, Civil Protection and Sport) remained at 13% and includes in particular services from the RUAG Ammotec and RUAG MRO International business segments. RUAG International generated 81% of all net sales outside Switzerland in the first half of the year.

The Board of Directors proposes that the dividend payment be waived due to the negative corporate result.

Outlook

RUAG International has decided to adjust its strategy due to the longer-term effects of the COVID-19 pandemic and will no longer focus on forming an Aerospace Group. Instead, the individual business segments will be developed individually and subsequently privatised. According to André Wall, CEO of RUAG International: "The pandemic has fundamentally changed the international economic environment and led to our decision to stop building an aerospace group. Instead, in consultation with the owner, we have decided to develop the business segment individually to their best advantage. The economic starting position remains extremely challenging."

For RUAG Space, the aim is to successfully seize the market opportunities offered by major space programmes worldwide in the coming months and years. RUAG Aerostructures must align itself to a completely changed market situation together with its customers. MRO International continues to focus on the step-by-step divestment of the remaining business segments. RUAG Ammotec will continue to press ahead with the divestment plans approved by the Swiss Federal Council and is aiming for a sale by the end of 2021.

Based on a solid order intake in 2020, only 5% below prior year, the company expects comparable net sales for the coming year and a negative corporate result in the low double-digit million range, with an improved COVID situation in the second half of the year.

Overview of key figures*

in CHF million	2020	2019	Change in %
Incoming orders	1 214	1 280	-5.2 %
Order backlog	1 169	1 229	-4.9 %
Net Sales	1 181	1 388	-14.9 %
Operating income	1 235	1 380	-10.5 %
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	(137)	(11)	n/a
Earnings before interest and taxes (EBIT)	(224)	(80)	n/a
Net profit	(219)	(50)	n/a
Cash flow from operating activities	19	88	-78.7 %
Free cash flow	(55)	97	-156.8 %
Net financial position	102	160	-36.5 %
Research and development expenses	27	32	-16.9 %
Employees as at 31 December incl. apprentices	6 299	6 492	-3.0 %

* RUAG International has been operating as a subgroup of the BGRB Group since the beginning of 2020. For comparability purposes, the previous year's figures have been adjusted to the organisational structure of RUAG International as at 01/01/2020. Not all companies of RUAG MRO Holding Ltd are therefore included in the previous year's figures.

Important events in 2020

Detailed media releases can be accessed at www.ruag.com.

- 07/01/2020: At the beginning of the year, Urs Kiener, Chief Financial Officer, takes over the function of CEO ad interim after the departure of Urs Breitmeier.
- 10/02/2020: Solar Orbiter begins its journey to the sun. RUAG Space supplies the computer that controls the satellite, the insulation, and also the structure that provides stability.
- 27/02/2020: RUAG Aerostructures realigns its three sites. In Emmen, a maximum reduction of 90 jobs is expected by the end of 2021.
- 10/09/2020: After six years of development and industrialisation, RUAG Aerostructures begins series production of 500 payload suspensions for the Gripen E/F.
- 30/09/2020: In the future, US missile tips will be manufactured by RUAG Space in Decatur (Alabama). Emmen remains the centre of excellence for the European Ariane and VEGA launchers.
- 12/10/2020: RUAG International accelerates the transformation it has begun following the unbundling and plans to cut a maximum of 150 support jobs by the end of 2021.

- 15/10/2020: General Atomics Europe plans to take over maintenance, repair & operations for business aircraft and military helicopters as well as production of the Dornier 228 at the Oberpfaffenhofen site.
- 13/10/2020: RUAG Defence France and a partner are awarded a contract to develop cabin simulators for the French Army.
- 23/11/2020: André Wall and Angelo Quabba take over as CEO and CFO of RUAG International.
- 08/12/2020: Aerostructures in Hungary has been approved as an independent manufacturing facility by the European Union Aviation Safety Agency (EASA).

Further information on the Annual Report: annualreport.ruag.com

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RUAG International is a Swiss technology company with a focus on aerospace. The company, which has production sites in 14 countries, is made up of four divisions: Space, Aerostructures, MRO International and Ammotec. RUAG International employs about 6,000 people, two thirds of them outside Switzerland. www.ruag.com