

Media release on the 2016 financial statements

RUAG impresses again with profitable growth

Bern, 23 March 2017. The international technology group RUAG posted the highest sales figure in its history in 2016, at CHF 1858 million (previous year: CHF 1744 million). Earnings before interest and taxes (EBIT) also reached a record level of CHF 151 million (CHF 137 million), and order intake rose to a new high of CHF 2036 million (CHF 1828 million). The share of civil business increased to 57% compared with military business, and the non-Swiss sales component rose slightly to 63%.

All five divisions operated profitably and contributed to the positive consolidated result. With a significant 10.4% increase in EBIT and 6.5% sales growth, RUAG has achieved a profitable growth trajectory. The record order intake of CHF 2036 million (+11.4%) is well above sales, indicating that the annual result provides a solid base for further growth and is not just a one-off occurrence.

The civil business increased to 57% (55%) of net sales in the year under review. The Federal Department of Defence, Civil Protection and Sport (DDPS) remains RUAG's largest and most important single customer; its share of sales fell slightly in 2016 from 32% to 31%. The non-Swiss sales component rose to 63% (62%), with the strongest growth occurring in Europe at 46% (44%) and the Asia-Pacific region at 4% (3%).

At the Annual Press Conference, Group CEO Urs Breitmeier had the following to say: "In business terms, 2016 was a very successful year for RUAG. The implementation of the profitable growth strategy was chiefly ensured by the civil sectors."

Three growth pillars

For future growth, RUAG's strategy focuses primarily on bolstering aerospace, aerostructures and cyber security. In all three areas, the first steps have been taken on important new paths for the future.

- A new production facility is being built by RUAG at Cape Canaveral, Florida, where up to 900 structures will be manufactured in series for OneWeb, the world's largest satellite project.
- RUAG and Airbus signed a long-term contract covering production of assemblies for the A320 family and the Airbus A330; this includes deliveries over a period of at least five years.
- With the creation of an independent Cyber Security business unit at the start of 2017, RUAG has been targeting not only armed forces but also law enforcement, critical infrastructure operators and selected industrial sectors. The acquisition of UK company Clearswift marks a clear commitment to expanding this business.

RUAG significantly increased research and development spending, which grew 16.6% to a total of CHF 171 million (CHF 146 million). This represents 9.2% of consolidated sales (8.4%). The Group's headcount increased by 571 to 8734 as at 31 December 2016. Approximately 110 of the additional jobs were created in Switzerland.

Cash flow from operations declined slightly in 2016 to CHF 135 million (CHF 145 million) while free cash flow decreased to CHF 56 million (CHF 64 million). At CHF 116 million (CHF 117 million), net profit showed a slight decrease due to a higher tax rate, lower profits at associates and a reduced financial result in comparison with the previous year.

The Board of Directors will propose an unchanged dividend of CHF 47 million (CHF 47 million). This is slightly over 40% of consolidated net profit.

Key events in 2016

- **January: Cyber attack on RUAG**
The Swiss Federal Intelligence Service alerts RUAG to a highly professional cyber attack on various computers in the accounting area. Data classified as secret is not affected by the attack. RUAG takes technical and organisational measures to contain the damage and prepare itself for the future.
- **February: Swiss public tender awarded**
The Swiss Armed Forces have five combat training facilities. In a public tender process, RUAG Defence is awarded the contract to operate the centres, equipped with the latest simulation systems, for the next five years.
- **March: New surface treatment centre in Emmen**
In Emmen, RUAG Aerostructures is building a surface treatment centre equipped with the most advanced technologies. Following its commissioning (scheduled for 2017), the facility will be one of the biggest in Europe. RUAG is investing approximately CHF 23 million in the centre.
- **April: Expanded partnership with United Launch Alliance**
RUAG Space will produce various carbon fibre structures for the US United Launch Alliance's Vulcan launch vehicle. The contract also includes an expanded role as supplier of payload fairings for the Atlas V launch vehicle.
- **May: RUAG Space facility in Germany**
With the full acquisition of technology firm HTS by RUAG Space, all five RUAG divisions now have in-house development and production facilities in Germany. The Dresden-based company's business will see further expansion in the years to come.
- **June: Development of the next Ariane generation**
Europe is seeking to bolster its leading position in commercial space flight with the versatile Ariane 6 launch vehicle. RUAG Space is developing the 20-metre tall payload fairing and will also supply the model for the maiden flight scheduled for 2020.
- **July: RUAG Space spins off opto-electronics unit**
In keeping with the corporate strategy, RUAG Space is increasing its focus on the core business in structures and mechanisms along with digital electronic and high-frequency products. The Opto-Electronics & Instruments unit is sold to Thales Alenia Space.

- **July: Long-term cooperation agreement with Airbus**
To date RUAG Aerostructures has delivered fuselage structures for over 7000 aircraft in the A320 family, Airbus's most successful series. A new cooperation agreement for at least five years will strengthen the partnership, affirming the division's strong manufacturing capabilities.
- **September: Rapid expansion of cyber-security activities**
RUAG Defence hopes to establish itself as a leading cyber-security partner for European armed forces, government and business. The company is building an independent business unit in which it will invest several tens of millions of Swiss francs in the coming years.
- **October: Strengthening of compliance and risk management**
The RUAG Board of Directors has commissioned a comprehensive project for the integrated expansion and further strengthening of compliance and risk management within the Group. Not just legal compliance, but also ethically impeccable conduct is of key importance in the initiative.
- **October: RUAG technology reaches the Red Planet**
ExoMars is the first close-up research mission to Mars since the 1970s. RUAG Space produced the separation mechanism for the landing module as well as the thermal insulation, control computer and slip rings for the Trace Gas Orbiter.
- **November: F-35 component MRO for the entire Pacific region**
As part of the Joint Strike Fighter programme, Australia has been awarded the contract for several F-35 component categories for the entire Asia-Pacific region. RUAG Australia will assume MRO responsibilities for four technology groups.
- **November: 900 satellite structures for OneWeb**
OneWeb is designed to provide broadband internet service worldwide using 648 satellites. Among other things, RUAG Space will manufacture 900 satellite structures to carry the other component assemblies for the project. This represents the biggest production series in satellite construction so far. RUAG had previously been awarded a contract by Arianespace to develop and manufacture "dispensers" for the same project. These dispensers enable up to 36 satellites to be placed in orbit with a single rocket launch.
- **December: Construction of a production site in Hungary**
To meet growing demand for aircraft structural components for the A320 and other Airbus models, RUAG is building a new plant in Eger, Hungary. In December, following an audit by the customer Airbus, RUAG received approval to start incorporating Hungarian-built components into the production process.
- **December: Acquisition agreement for British cyber-security firm signed**
Products from cyber-security company Clearswift will bring complementary technologies to expand the product and service portfolio of the new RUAG Cyber Security business unit. The acquisition opens new sales channels and expands research and development capabilities.

Overview of key figures

in CHF million	2016	2015	Change in%
Net sales	1 858	1 744	6.5%
Operating income	1 882	1 758	7.1%
Operating earnings before interest, tax, depreciation and amortization (EBITDA)	232	217	6.9%
Operating earnings (EBIT)	151	137	10.4%
Net profit ¹	116	117	-0.6%
Cash flow from operating activities	135	145	-6.8%
Free Cash Flow	56	64	-12.1%
Net financial position	237	231	2.7%
Order intake	2 036	1 828	11.4%
Order backlog	1 556	1 378	13.0%
Research and development expenses	171	146	16.6%
Headcount at end of December incl. trainees	8734	8 163	7.0%

First digital annual report

For the 2016 financial year, RUAG is for the first time publishing a digital annual report in German, English and French. This reflects a general trend in the Group towards digitalisation in all areas. As before, annual reports in German, English and French will be printed in reduced numbers and with compressed content. The digital annual report may be accessed via the Group website www.ruag.com or directly at <https://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. 57% of RUAG's products and services are destined for the civil market and 43% for the military market. The Group is headquartered in Bern (Switzerland). It has production sites in Switzerland and in 13 other countries in Europe, the USA and Asia-Pacific. Around 8700 employees – of whom 430 are trainees – represent 48 nationalities and generate sales of some CHF 1.86 billion.