

Media release on the 2017 annual financial statements – embargoed until 11.00 a.m. on 23 March 2018

RUAG reports growth in sales and order backlog but lower profit

Bern, 23 March 2018. With net sales of CHF 1,955 million (previous year: CHF 1,858 million), RUAG once again topped its record prior-year performance – this time by 5.2%. However, the international technology group was unable to uphold last year’s record result. Earnings before interest and taxes (EBIT) fell to CHF 119 million (CHF 151 million) and net profit to CHF 89 million (CHF 116 million). The order backlog at the end of 2017 was a high CHF 1,607 million (CHF 1,556 million). RUAG is proposing that a dividend of CHF 40 million (CHF 47 million) be paid to the Swiss Confederation.

In 2017 around 56% (57%) of RUAG’s contracts were in the civilian sector, and 62% (63%) of its net sales came from outside Switzerland. Overall, the Group generated net sales of CHF 1,955 million, representing an increase of CHF 97 million or 5.2%. Alongside organic growth, international acquisitions such as Clearswift also contributed to this further increase. EBIT and net profit declined by CHF 32 million and CHF 27 million respectively. All divisions except for the Defence Division returned a profit. The order backlog rose overall to CHF 1,607 million (CHF 1,556 million) while new orders declined to CHF 1,961 million (CHF 2,036 million). Both numbers indicate once again that there is a sound basis for the further development of the business.

At the Annual Press Conference, RUAG Group CEO Urs Breitmeier had the following to say: "It is gratifying that growth has remained strong. However, profitability decreased because of a number of isolated events. These relate in particular to restructuring in the Land Systems area, to a reassessment of costs and earnings in various projects in the Defence Division, to the delayed delivery of aerostructure components by subcontractors and to a decline in sales of ammunition for sporting marksmen and -women in the USA. Appropriate action has been initiated in all areas and corrective measures taken." The result was additionally impacted by planned set-up costs at the new production facilities in the USA and Hungary.

Changes on the Board of Directors

After 16 years on the Board of Directors, Board Chairman Hans-Peter Schwald is not standing for re-election again. "Hans-Peter Schwald played a decisive role in the Group’s development into an international technology group. The Board of Directors and management of RUAG wish to take this opportunity to thank him for his tireless commitment and expertise", said Urs Breitmeier.

The Swiss Federal Council has approved the nomination of Dr Remo Lütolf – Deputy Chairman up to now – as Chairman of the Board of Directors of RUAG Holding Ltd and of Dr Marie-Pierre de Bailliencourt as successor to Egon Behle, who stepped down in 2017. Both elections will take place at the Annual General Meeting to be held on 26 April 2018.

Dividend of CHF 40 million proposed

The Board of Directors proposes a dividend of CHF 40 million (CHF 47 million) for the 2017 financial year. This is equivalent to some 45% of consolidated net profit.

The Federal Department of Defence, Civil Protection and Sport (DDPS) remains RUAG’s largest and most important single customer; its share of sales remains at 31%.

Research and development spending increased slightly (by CHF 10 million to CHF 181 million) and at 9.2% remains unchanged in relation to net sales.

The total number of employees in the Group increased to 9,189 FTE positions as at 31 December 2017 (+5.2%); this is attributable to the acquisition of Clearswift, the establishment of the new sites in the United States and Hungary, and the general growth in sales.

RUAG is still on a solid financial footing. The Group's net financial position as at 31 December 2017 stands at CHF 77 million (CHF 237 million). Due to the lower operating result and to investments in current assets, cash flow from operating activities fell to CHF 88 million (CHF 135 million). Free cash flow in 2017 stood at minus CHF 58 million (CHF 56 million). This primarily reflects the purchase prices paid for the acquisitions concluded during the financial year as well as investments in capacity increases for additional orders.

Overview of key figures

in CHF million	2017	2016	Change in %
Net sales	1 955	1 858	5.2 %
Operating income	1 990	1 882	5.8 %
Earnings before interest, taxes, depreciation and amortization (EBITDA)	196	232	-15.6 %
Earnings before interest and taxes (EBIT)	119	151	-21.5 %
Net profit	89	116	-22.8 %
Cash flow from operating activities	88	135	-35.0 %
Free cash flow	(58)	56	-203.2 %
Net financial position	77	237	-67.6 %
Order inflow	1 961	2 036	-3.7 %
Order backlog	1 607	1 556	3.3 %
Research and development expenses	181	171	5.8 %
Employees (FTE) as at 31 December incl. apprentices	9 189	8 734	5.2 %

Key events in 2017

The full reports can be found at www.ruag.com.

- 11 December: OHB System AG commissioned RUAG Space to continue supplying the control and data units for the next twelve satellites in the Galileo programme.
- 3 November: RUAG Aerostructures took over the upgrading of Building 7 in Emmen (Switzerland). In future, aircraft components of up to 7 metres in length will be galvanized, painted and checked for cracks here.
- 20 October: Marco Michel, a former apprentice and now a qualified polymechanics technician with RUAG Aviation, took the silver medal in his occupational category at the WorldSkills competition in Abu Dhabi.
- 11 October: RUAG Aviation signed a contract with the Bangladesh Navy for the sale of two new Dornier 228 aircraft.
- 12 July: RUAG Space opened a branch in Titusville, Florida. This new US plant will manufacture – among other products – satellite structures for up to three satellites a day.
- 1 June: RUAG Space opened its first production facility for composite structures in the United States in Decatur, Alabama.
- 3 April: With effect from 31 March 2017, RUAG Ammotec acquired the remaining 60% of the shares in Gyttop AB.
- 1 March: RUAG Aerostructures opened a new site for the production of aerostructures in Eger (Hungary).
- 20 January 2017: RUAG successfully completed the acquisition of the British cyber-security company Clearswift.

- 17 January 2017: RUAG Ammotec acquired the Italian wholesaler Turfer di Turelli Luca & C. SRL. The two companies had already been working closely together for some years.

Further details from the Annual Report: annualreport.ruag.com

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RUAG develops and markets internationally sought-after technology applications in the fields of aerospace and defence for use on land, in the air and in space. 56% of RUAG's products and services are destined for the civil market and 44% for the military market. The Group is headquartered in Bern (Switzerland). It has production sites in Switzerland and in 15 other countries in Europe, the USA and Asia-Pacific. RUAG generates sales of approximately CHF 1.96 billion and has over 9,200 employees – 400 of whom are trainees.