

RUAG Defence

The division looks back on a difficult financial year. The operating result was severely hit by major domestic contracts being postponed or failing to materialize, by significant competitive pressure on the international market, by rigorous export restrictions and by cost overruns in key projects.

Business performance

In 2017 RUAG Defence generated total sales of CHF 389 million (CHF 388 million), performing well below expectations. EBIT, at CHF –3 million (CHF 24 million), fell by a massive CHF 27 million compared to the previous year.

The Defence division was confronted with numerous challenges in the 2017 financial year. The ongoing downsizing of both equipment stocks and personnel by its main customer, the Swiss Armed Forces, is leading to a decline in order volumes. In addition, a number of ongoing projects met with internal challenges during implementation, as well as substantial cost overruns. And beyond that, some business-critical major projects were postponed by the customers involved. The division has also encountered difficulties in its international target markets: the current increase in armed conflicts and the concomitant export restrictions have hampered export activities in significant sales regions. This is related to the strict Swiss export legislation to which RUAG Defence consistently adheres. As a result, RUAG Defence has had to undergo restructuring in several areas, entailing a total of 30 redundancies. Moreover, the division's CEO, Dr. Markus A. Zoller, left the company in October 2017. Andreas Berger, until then head of the NEO Services business unit, took over the role of CEO on an interim basis.

Despite this challenging environment, RUAG Defence was able to secure some major contracts in 2017 as well as reaching a number of strategic milestones. Right at the start of the year, RUAG Defence was awarded the contract for the large-scale CERBERE programme. This contract, in the field of Simulation & Training, involves modernizing the national combat training centres for the French land forces, as well as supplying the corresponding items of equipment.

In mid-May 2017, the Swiss Federal Office for Armaments (armasuisse) commissioned RUAG Defence to integrate specific technical systems into the lightweight all-terrain Mercedes Benz G300 vehicles used by the Swiss Armed Forces. Among other things, this project will involve developing and manufacturing the newly required supply and climate control components and integrating them into the new vehicles. RUAG Defence will be acting as the general contractor for this project.

In addition, the Defence division has now secured its first NATO contract. The Tactical Access Node (TAN) integrated voice and data router is being used by the multinational NATO battle group in Lithuania.

The division was also able to acquire a pioneering contract in the civil robotics field. Well-known Swiss company Boschung will be relying on RUAG Defence's system for the robotization of its snow-clearing systems for airports in future. Series production is scheduled to start as early as the end of next year.

With the completion of its acquisition of Clearswift, in early 2017 RUAG Defence substantially expanded its Cyber Security business unit. In the year under review it went on to consolidate and enhance its strategy, though with Cyber Security remaining a significant growth pillar for the Group. Moreover, from 1 January 2018 Cyber Security will be run at Group level and thus strengthened even more.

In December 2017 an agreement was reached with armasuisse to continue with the tried and tested concept of multi-year service-level agreements for the years 2018–22. These SLAs cover support and maintenance services for over 100 systems in the fields of simulation and training, combat vehicles and weapons, command and control and reconnaissance.

Outlook

After the reorganization of 2017, continuity and stability are of key importance to RUAG Defence. The priority is to consolidate what has been achieved and establish the ongoing structural and procedural adjustments on a broad basis.

RUAG Defence remains committed to its existing business strategy. Consequently, over the course of the next year the division will be focusing on strengthening its home market of Switzerland, with projects and activities with the Swiss Armed Forces taking centre stage. RUAG Defence is keen to further strengthen its position as a competent, strategic technology partner in this regard, and thus contribute to ensuring the operational readiness of the Swiss Armed Forces.

The Defence division will also be further intensifying its collaboration with civil organizations and agencies in the rescue and security fields. With modern technology solutions, RUAG Defence is in a position to help shape the future of civil operations.

Furthermore, the Defence division has stated its aim of stepping up its activities in its other home markets of Germany and France. The strategic positioning of RUAG Defence Deutschland GmbH and RUAG Defence France SAS will thus play a key role in the years ahead. The division's strategy also includes a gradual internationalization of selected areas. The emphasis here will be on supplying mature, globally marketable products and services to accessible, high-volume markets.

Brief profile

RUAG Defence develops internationally sought-after technologies for armed forces, law enforcement and rescue and security organizations. Its core business includes products and services for tracked and wheeled vehicles, realistic military training, and reliable command, information and communication infrastructures. Its comprehensive portfolio also includes protection systems to counter ballistic threats and integration, maintenance, operation and innovative upgrades to relevant systems.

Customers/partners

Swiss Armed Forces, armed forces worldwide, rescue and security agencies and organizations, operators of critical ICT infrastructure, industrial partners

Numbers and facts

Net sales:	CHF 389 million
EBITDA:	CHF 9 million
EBIT:	CHF –3 million
Employees (FTE):	1,597
Based in:	Switzerland, Germany, France, UK, United Arab Emirates, USA, Australia, Japan