

## RUAG Defence

RUAG Defence gradually found its feet again during the 2018 financial year. The project business plus strong order intake ensured that the division was able to meet the majority of its financial objectives.

### Business performance

In 2018 RUAG Defence generated total sales of CHF 361 million (CHF 358 million), thus exceeding expectations. The positive result was due primarily to strong order intake coupled with profitable repair and maintenance activities for both national and international customers.

In terms of EBIT, the division was unable to meet the target set. The figure of CHF 21 million was a significant improvement over the previous year (CHF 8 million), but the result did not measure up to the planned target. The difference can be mainly attributed to significant cost aberrations in two major projects.

After having confronted a considerable number of internal and external challenges the previous year, in 2018 the Defence division focused first and foremost on stabilisation, with particular priority being given to activities and projects on behalf of the Swiss Armed Forces. RUAG Defence was thus able to durably strengthen its position in its home market. The division also operated successfully in the international market, although the global conflict situation – especially in the Middle East – had an adverse effect on export activities.

All three of RUAG Defence's business units made a substantial contribution to its sales success last year. This shows that the division's comprehensive product and service portfolio is in line with current needs. For example, among other things RUAG Defence won a bid to produce disinfection and sterilisation containers for the Swiss Armed Forces, and to integrate the corresponding components. A total of 14 container systems will be completed by 2022 for use by the medical units.

The division was also commissioned to develop 500 laser-based target systems for the French Army for delivery over the next two to three years. These mobile systems allow for top-level realistic training for armed forces personnel. The contract also includes repair and maintenance work, which means RUAG Defence will ensure the systems' operational capability for the next seven years.

Operations under service level agreements also went well. Within the context of these activities, RUAG Defence primarily ensures the operational capability of the systems used by the Swiss Armed Forces. This includes repairing and maintaining highly complex reconnaissance, command and control, and radar systems. Moreover, the division tendered successfully for the contract to upgrade the broadband transmission system used by the Swiss Armed Forces. The scope of this contract includes both integration of components into the existing infrastructure and materials deliveries.

In late 2018, RUAG Defence presented its new 'Gladiator G12' personal harness at the world's biggest simulation and training show in Orlando (USA). The latest-generation Gladiator incorporates a considerable number of specially developed technological innovations. With this, the division assured its position as a future-oriented technology partner for national and foreign armed forces.

## Outlook

The Defence division is embarking on an exciting year of transition. As part of preparations for the Group-wide unbundling process, from 1 January 2019 large parts of RUAG Defence and RUAG Aviation will be merged to an organisational unit with the working name "MRO Switzerland". Andreas Berger – until end-2018 CEO of RUAG Defence – will be heading up this organisational unit as its CEO.

MRO Switzerland's primary mission will be to make a material contribution to Switzerland's security and to act as strategic technology partner to the Swiss Armed Forces, with a focus on life-cycle management, operation and ensuring the availability of military systems. Its business activities will thus be heavily geared to the procurement programmes of the Swiss Armed Forces.

The new organisation will continue to provide services for national and international third-party customers in future, on the condition that these activities generate added value within Switzerland and benefits for the Swiss Armed Forces.

The Simulation & Training business unit will be absorbed into RUAG International, as its product portfolio is addressed mainly towards international customers.

The structural transformation of the Group will have no impact on current contracts, project business or orders. National and international customers will continue to be served competently and professionally as hitherto.

## Brief profile

RUAG Defence is an independent provider of integration, upgrade and maintenance services for land-based defence and security systems. Its product portfolio comprises one-of-a-kind subsystems and components for national and international customers. A key part of this is products and services for tracked and wheeled vehicles, realistic military training, and reliable information and communication solutions. Its comprehensive portfolio also includes integration, operation and maintenance of complex systems.

## Customers/partners:

Swiss Armed Forces, armed forces worldwide, rescue and security agencies and organisations, industrial partners

## Numbers and facts

Net sales:	CHF 361 million
EBITDA:	CHF 28 million
EBIT:	CHF 21 million
Employees (FTE):	1,353
Based in:	Switzerland, Germany, France, United Arab Emirates