

2019 Annual Press Conference

Urs Breitmeier

CEO RUAG Group

Urs Kiener

CFO

RUAG Holding Ltd

Zurich, 28 March 2019

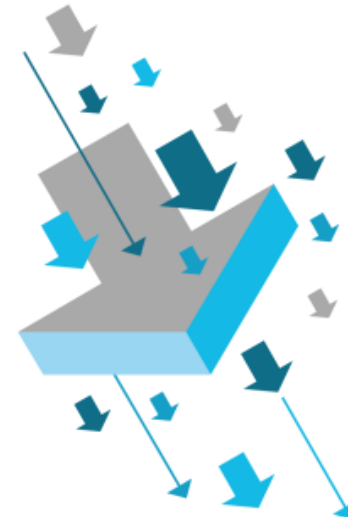
**Together
ahead. RUAG**

Highlights and lowlights 2018

Sales and new orders at record high, focus on increasing profitability



- **Sales** CHF 1,998 million (+2.2%) and new orders CHF 2,221 million (+13.3%) up to record highs
- **Order backlog** up to CHF 1,794 million (+11.6%)
- **Strong baseline established for unbundling**



- **Operational challenges in the Aerostructures division and extraordinary one-time effects weighing on financial performance:**
 - EBIT CHF 106 million (-10.8%)
 - Profitability 5.3% (6.1%)

Personal highlights (selection)

Did you know that ...

- RUAG is producing components in the United States for the American space programmes?
- RUAG is manufacturing the trailing edge flaps and ailerons for the F/A-18 fighter aircraft in Emmen?
- Ten RUAG apprentices representing five different professions qualified for SwissSkills 2018 and won four medals?



Unbundling brings paradigm shift

- “RUAG MRO Switzerland” will become the centre of excellence for Swiss Armed Forces equipment, and will remain state-owned.
- “RUAG International” will become a globally operating aerospace technology company and, in the medium term, is to be fully privatised.



Investments in the “Space” strategic growth area bearing fruit

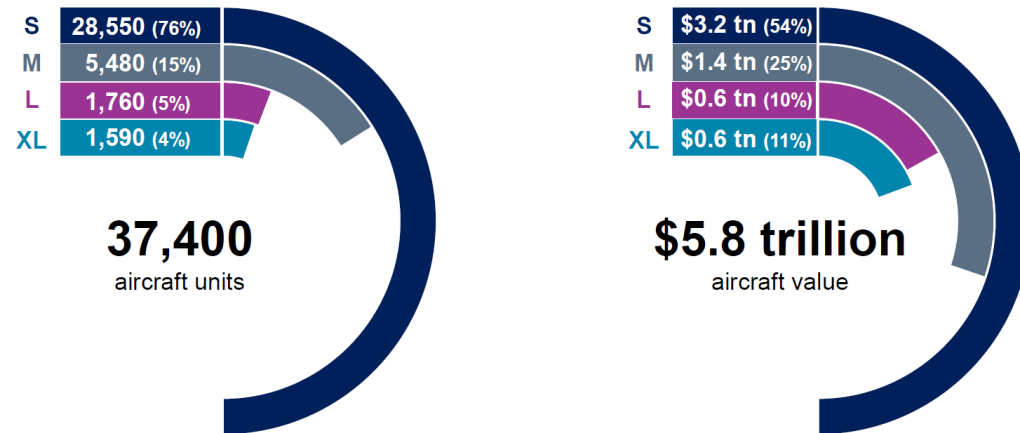
- In 2018, RUAG goes into production at sites in Alabama and Florida.
- Production sites and activities in the United States allow RUAG to offset the slowdown in European business.
- 100% successful missions with RUAG products in launches of Ariane 5 and US Atlas-V rockets.



Investments in the strategic growth area “Aerostructures” are long-term and call for patience

- Investments in best-cost location Hungary and surface treatment centre Emmen; assumption of responsibility for individual A320 parts.
- The restructuring programme now launched will ensure that operations are profitable again by 2020.
- RUAG is well-positioned in the production of A320-family (single-aisle) fuselage segments.
- Orders in hand for Airbus A320 family: over 6,000 aircraft.

About 37,400 aircraft will be needed in the next 20 years,
76% of them in the single-aisle segment



Source: Airbus Global Market Forecast 2018-2037
Single-aisle = narrow-body aircraft with only one central aisle

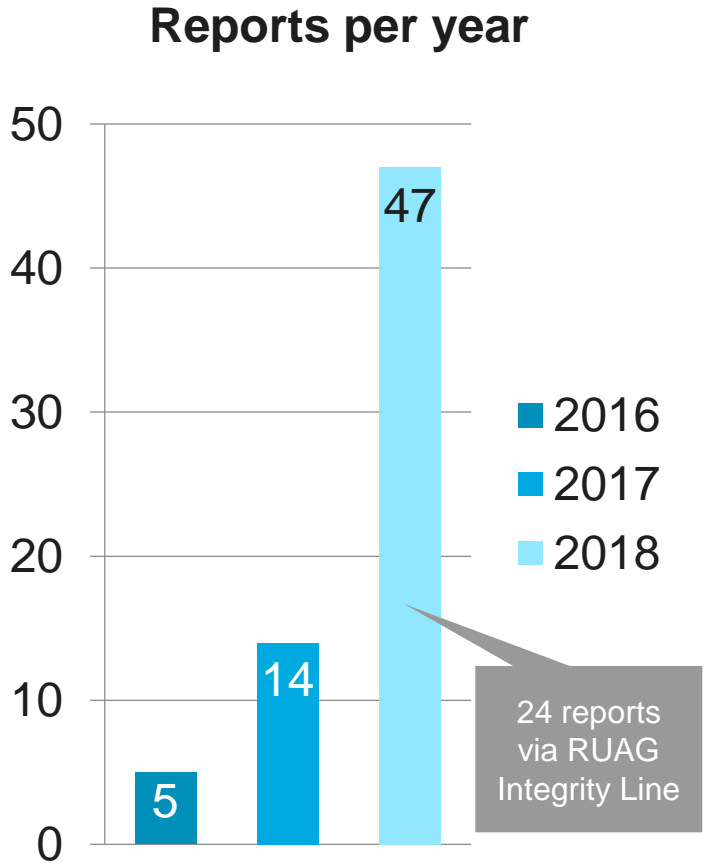
Record order intake reflects success in a number of competitive tenders – some highlights

- RUAG Aviation is modernising the Swiss Air Force's Cougar transport helicopters.
- RUAG Defence is manufacturing 14 container systems for the Swiss Armed Forces medical corps.
- RUAG Ammotec competed successfully to secure a new contract from the Austrian Armed Forces.

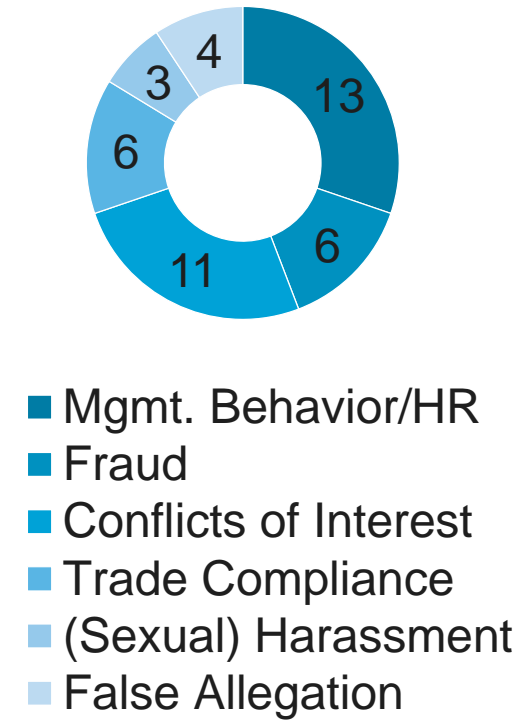


Compliance

Zero tolerance for corruption



Allegation categories



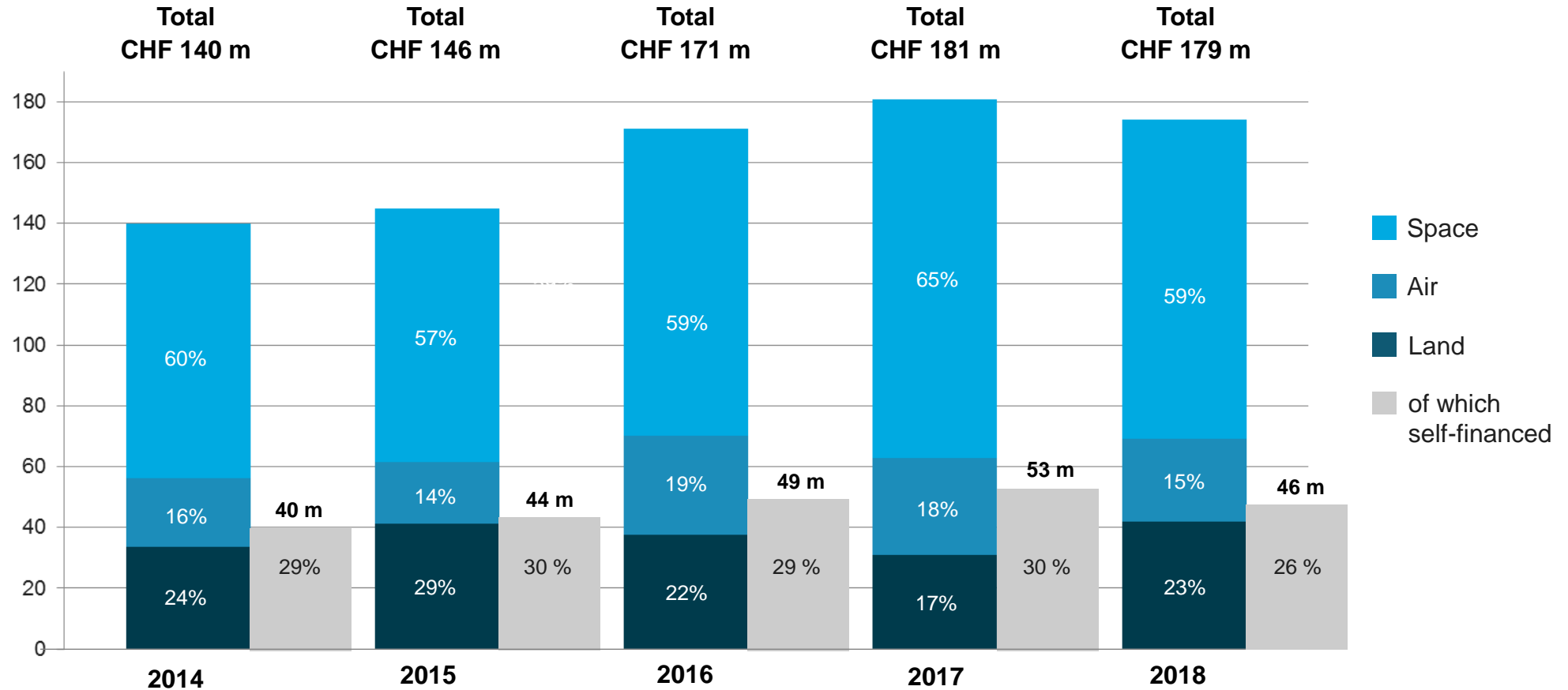
Decisions made/ penalties imposed



RUAG invests heavily in research and development

R&D spending equivalent to 9% of sales

in CHF million

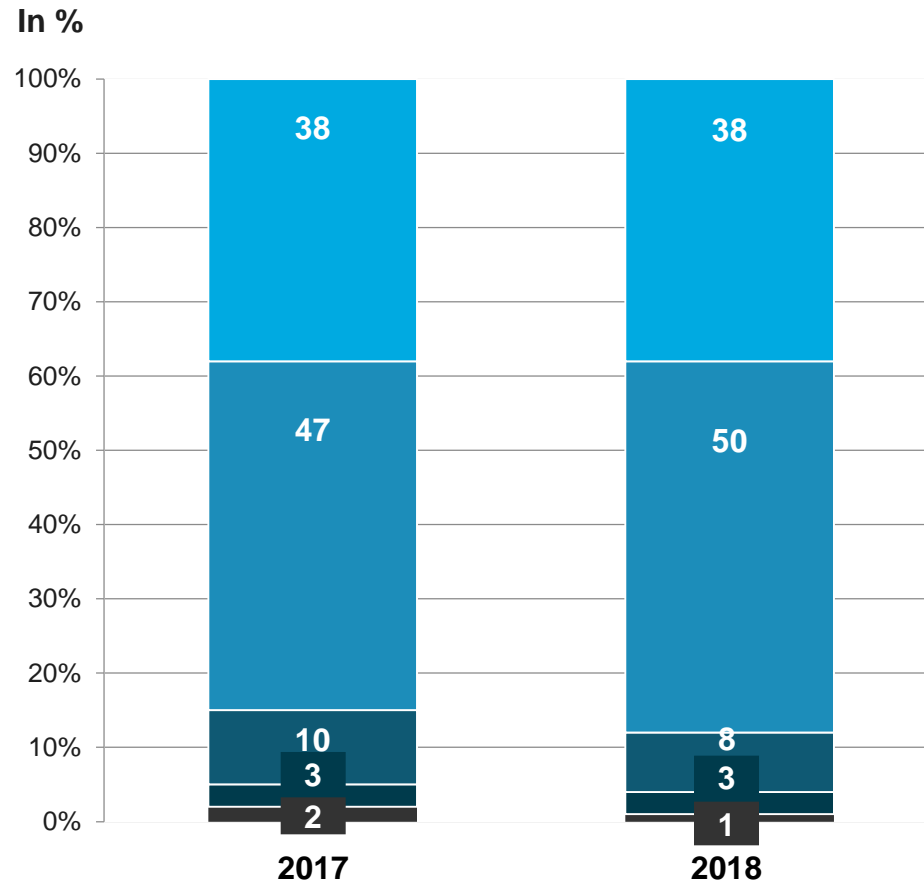


Financial and operational matters

The Group in figures

in CHF million	2018	2017	Change in %
Order intake	2 221	1 961	13.3%
Order backlog	1 794	1 607	11.6%
Net sales	1 998	1 955	2.2%
Operating income	2 013	1 990	1.2%
Operating earnings before interest, tax, depreciation and amortization (EBITDA)	186	196	−5.1%
Operating earnings (EBIT)	106	119	−10.8%
Net profit	74	89	−17.7%
Cash flow from operating activities	176	88	101.0%
Free cash flow	94	(59)	259.8%
Net financial position	134	77	74.6%
Research and development expenses	179	181	−0.8%
Employees (FTE) as at 31 December incl. apprentices	9 127	9 189	−0.7%

Net sales by region

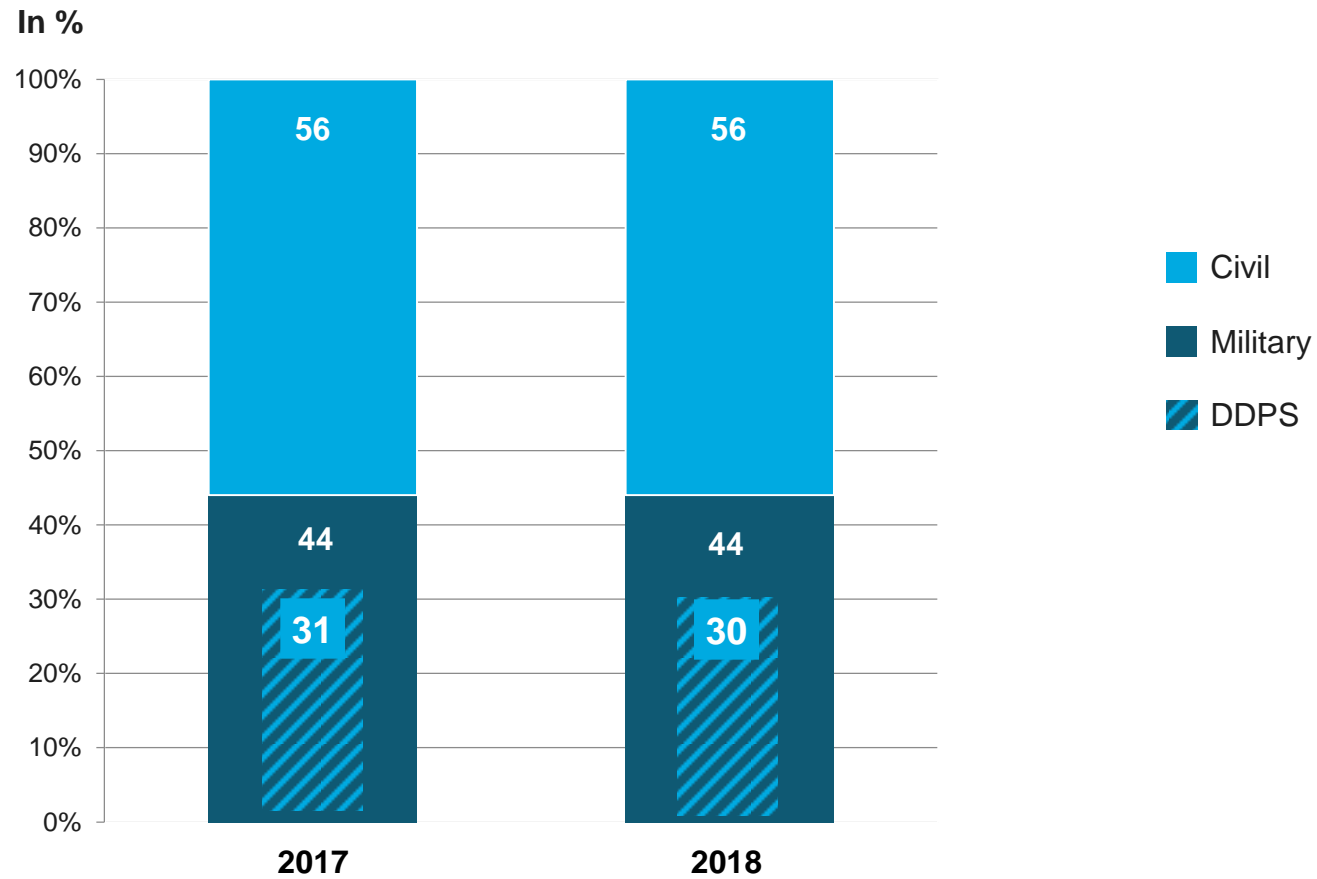


Group

2017, net sales: CHF 1,955 million
2018, net sales: CHF 1,998 million

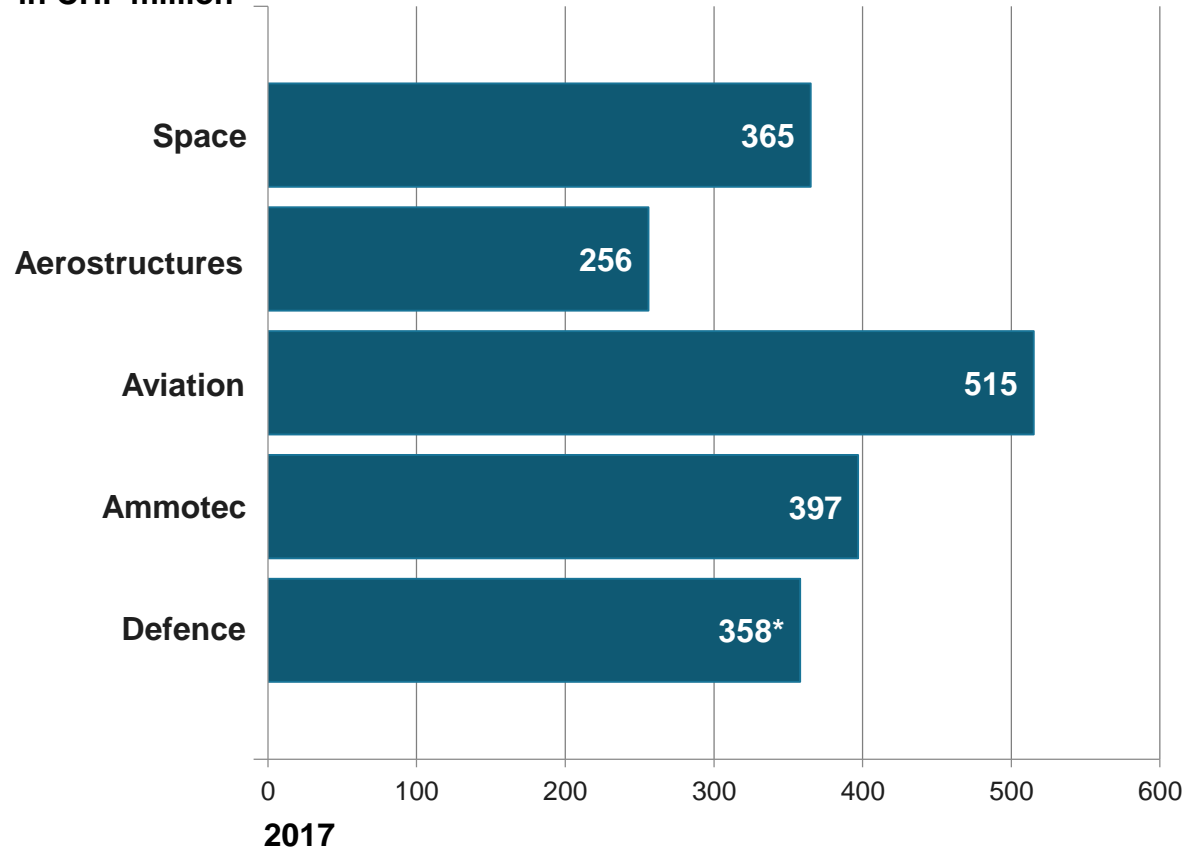
- Switzerland
- Europe
- North America
- Asia/Pacific
- Rest of the world

Net sales by application

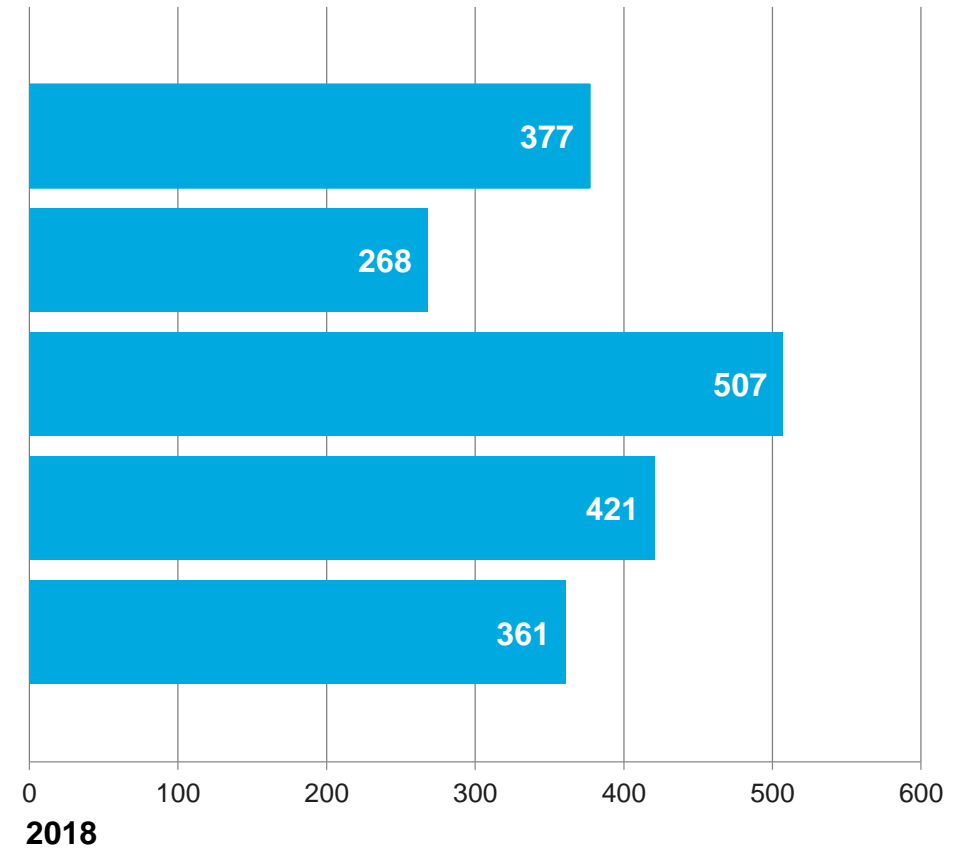


Net sales by market segment

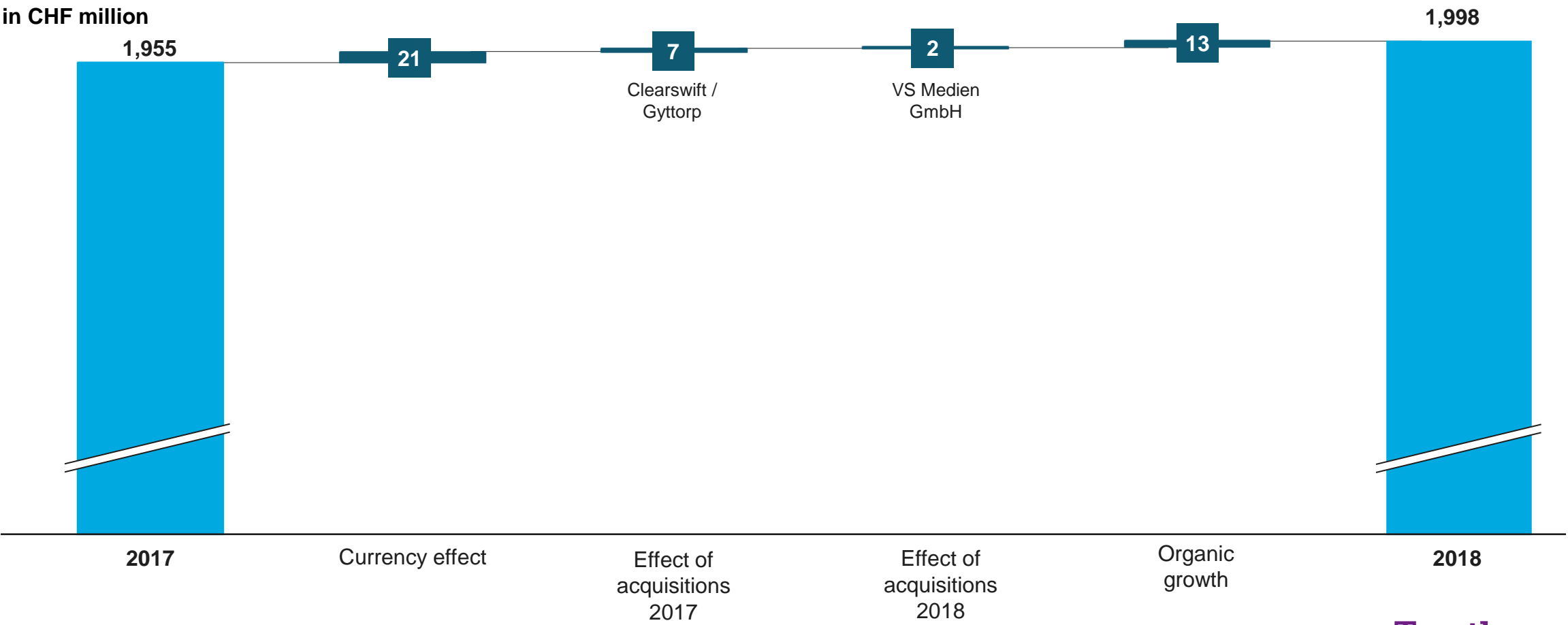
in CHF million



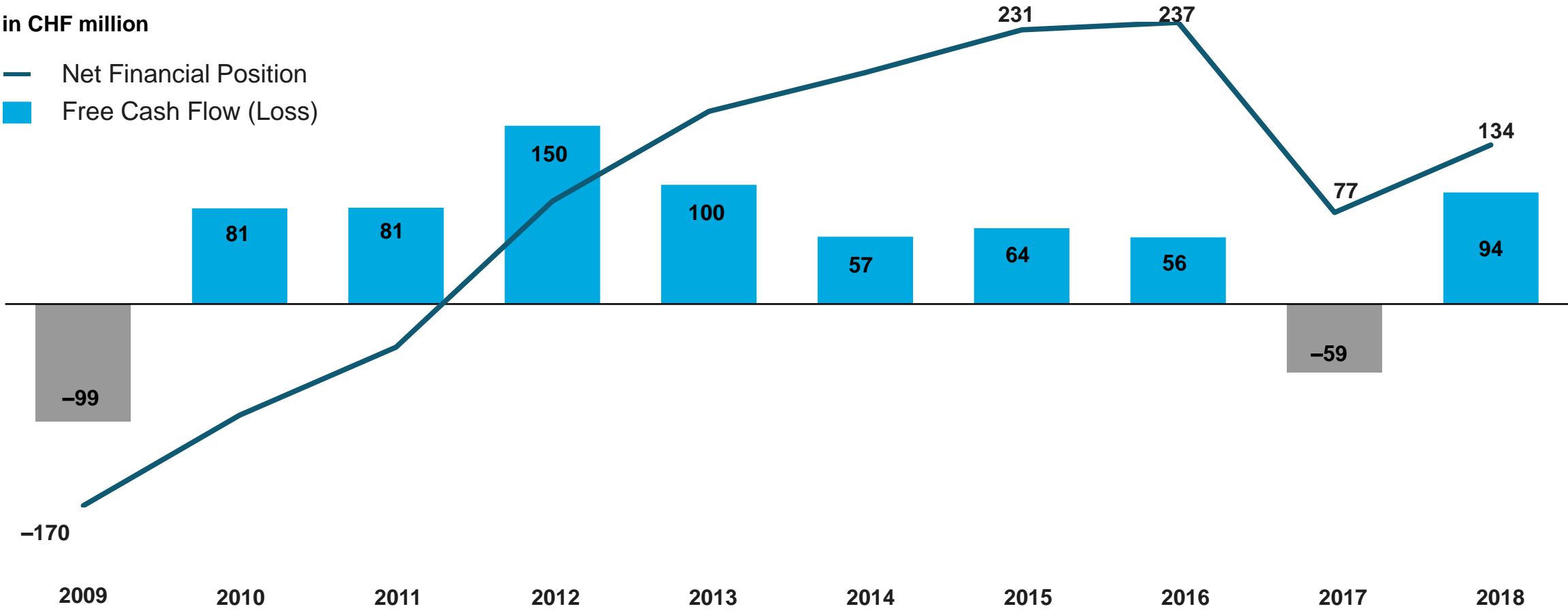
* In 2017, the Cyber Security business unit was still a part of the Defence division. The prior-year figures have been adjusted for comparability purposes – see 2018 Annual Report, pages 56/57.



Net sales 2017-2018

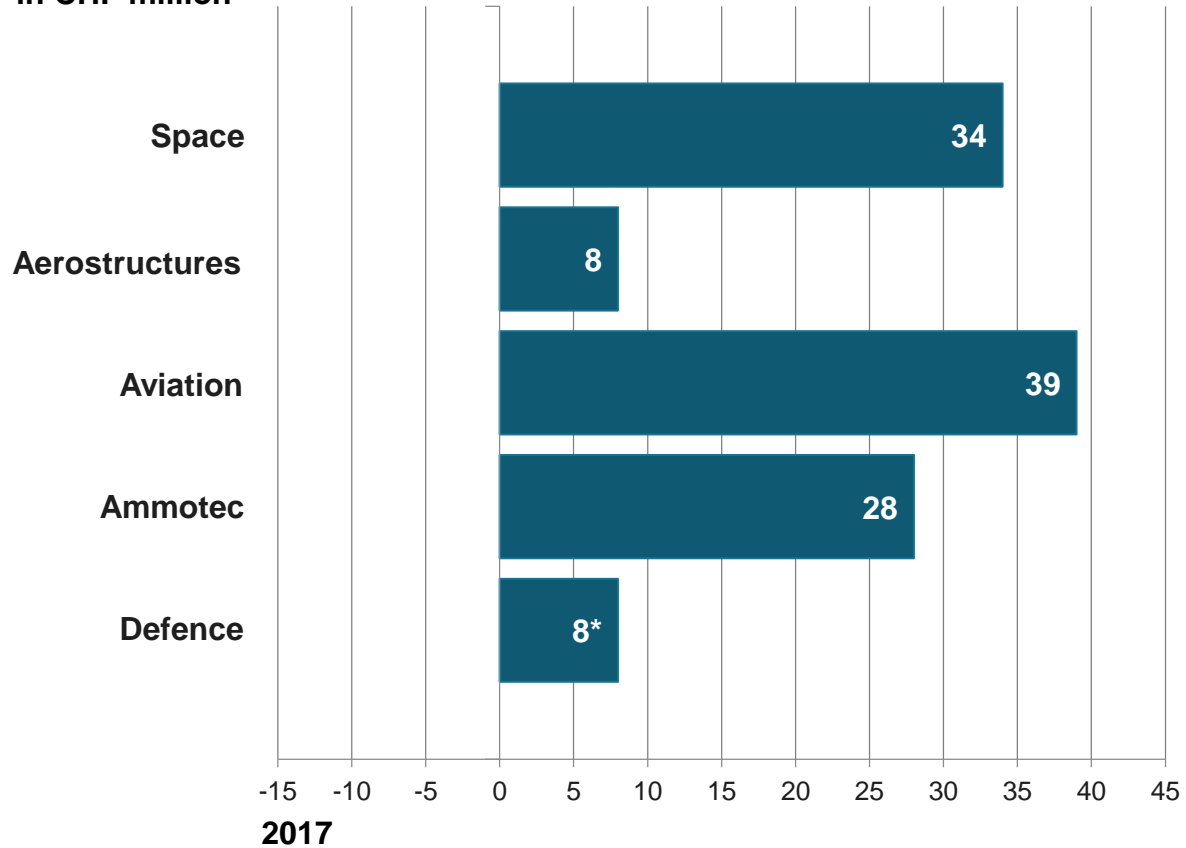


Net financial position 2009-2018

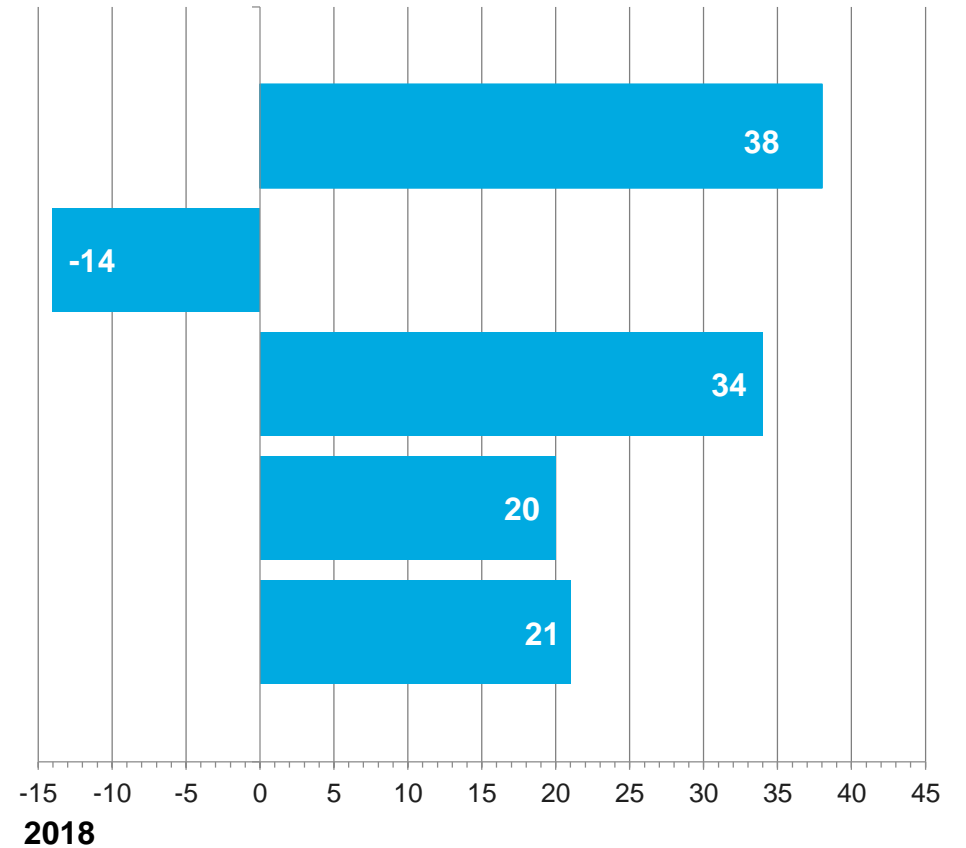


EBIT in the divisions

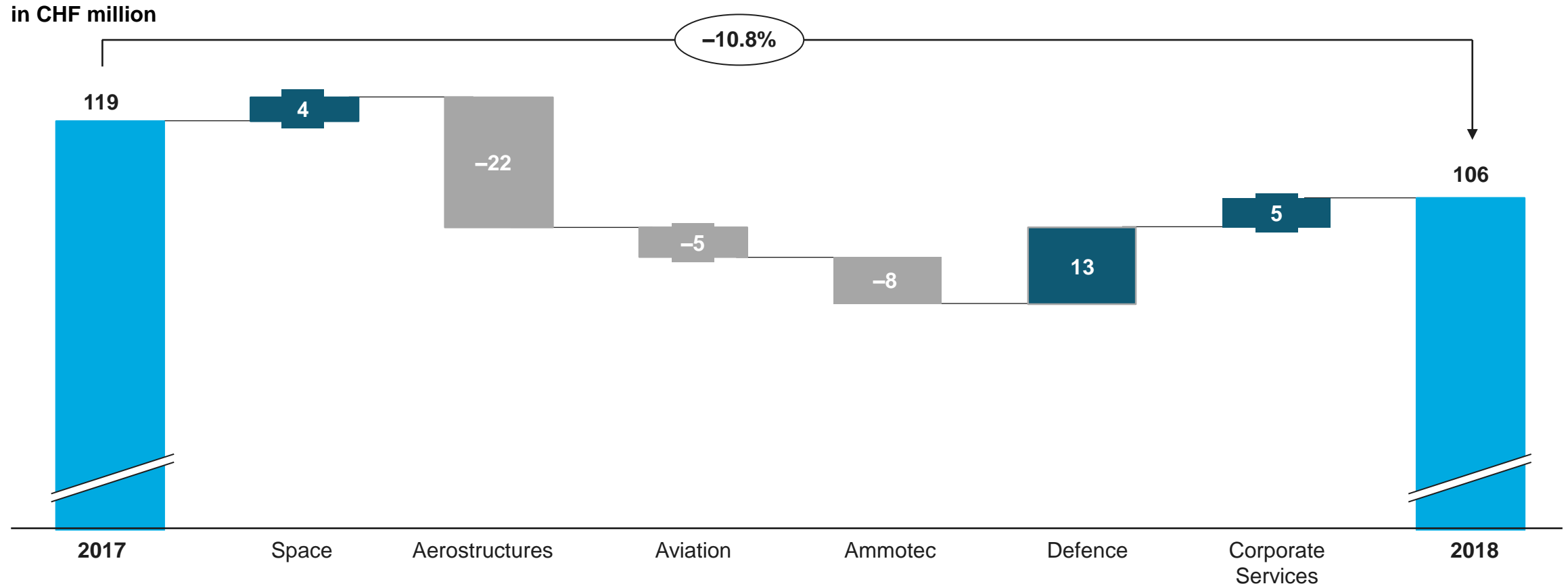
in CHF million



* In 2017, the Cyber Security business unit was still a part of the Defence division. The prior-year figures have been adjusted for comparability purposes – see 2018 Annual Report, pages 56/57.



EBIT – Change versus prior year



Business performance by the divisions



At its Titusville site in Florida, USA, RUAG's 'Automated Potting Machines' are installing up to 1,000 inserts a day into satellite panels – automatically, quickly, accurately.

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RUAG Space

RUAG Space is the leading supplier of products for the space industry in Europe and has a growing presence in the United States as well.

Facts and figures

Net sales:	CHF 377 million
EBITDA:	CHF 52 million
EBIT:	CHF 38 million
R&D:	58.7%
Employees:	1,345
Based in:	Switzerland, Sweden, Austria, USA, Finland, Germany

Customers/partners

ESA, NASA, ArianeGroup, Airbus
Defence and Space, Airbus
OneWeb Satellites, Thales Alenia
Space, OHB, United Launch
Alliance, Space Systems Loral,
Orbital ATK, Boeing, Lockheed
Martin



In 2019, the RUAG Aerostructures facility in Eger, Hungary will develop from an extended workbench into a fully-fledged, autonomous site.

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RUAG Aerostructures

RUAG Aerostructures is a global first-tier supplier of aerostructures for civil and military customers.

Facts and figures

Net sales:	CHF 268 million
EBITDA:	CHF -8 million
EBIT:	CHF -14 million
R&D:	0 %
Employees:	1,355
Based in:	Switzerland, Germany, Hungary

Customers/partners

Airbus, Boeing, Bombardier,
GE Aviation, Pilatus Aircraft,
Saab



RUAG Aviation is modernising the Swiss Air Force's Cougar helicopter fleet. A prototype project has already seen the first helicopter upgraded to the state of the art.

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RUAG Aviation

RUAG Aviation is a leading supplier, support provider and integrator of systems and components for civil and military aviation.

Facts and figures

Net sales:	CHF 507 million
EBITDA:	CHF 41 million
EBIT:	CHF 34 million
R&D:	15.1%
Employees:	2,167
Based in:	Switzerland, Germany, USA, Australia, Malaysia,

Customers/partners

Swiss Air Force, German
Bundeswehr, Royal Australian
Air Force, Bombardier, Dassault,
Embraer, Airbus, Pilatus Aircraft,
Boeing, General Electric,
Northrop Grumman, Saab,
Lockheed Martin, British
Aerospace, Honeywell,
United Technology, Rheinmetall
Air Defence, Elbit



RUAG Ammotec in Thun has developed a new high-specification militarised .338 LM sniper round for the Austrian Armed Forces.

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RUAG Ammotec

RUAG Ammotec, with its Hunting & Sport, Industrial and Armed Forces & Law Enforcement business units, is the European market leader in small-calibre ammunition, pyrotechnic elements and components.

Facts and figures

Net sales:	CHF 421 million
EBITDA:	CHF 38 million
EBIT:	CHF 20 million
R&D:	4.5%
Employees:	2,275
Based in:	Germany, Switzerland, Hungary, Sweden, France, USA, Austria, UK, Italy, Belgium, Finland

Customers/partners

Swiss Armed Forces, German Bundeswehr, Austrian Armed Forces and other foreign armed forces, law enforcement organisations, hunters and sporting marksmen, industrial partners



RUAG Defence has won a contract from the Federal Office for Defence Procurement (armasuisse) to develop 14 disinfection and sterilisation systems of the latest generation and integrate them into mobile containers.

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RUAG Defence

RUAG Defence is an independent provider of integration, upgrade and maintenance services for land-based defence and security systems.

Facts and figures

Net sales:	CHF 361 million
EBITDA:	CHF 28 million
EBIT:	CHF 21 million
R&D:	19.0%
Employees:	1,353
Based in:	Switzerland, Germany, France, United Arab Emirates

Customers/partners

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

Transfer of leadership and new addition to the Board of Directors

Remo Lütolf elected new Chairman of the Board

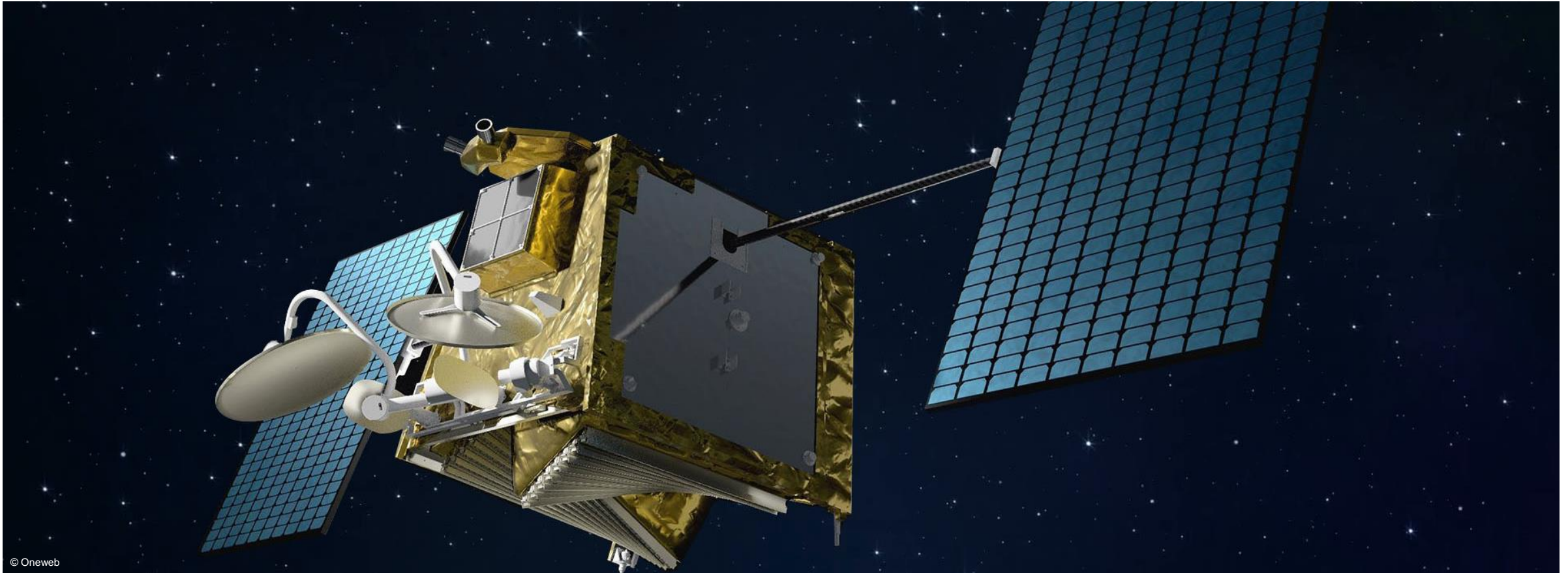


Dr. Remo Lütolf
Chairman of the Board of Directors

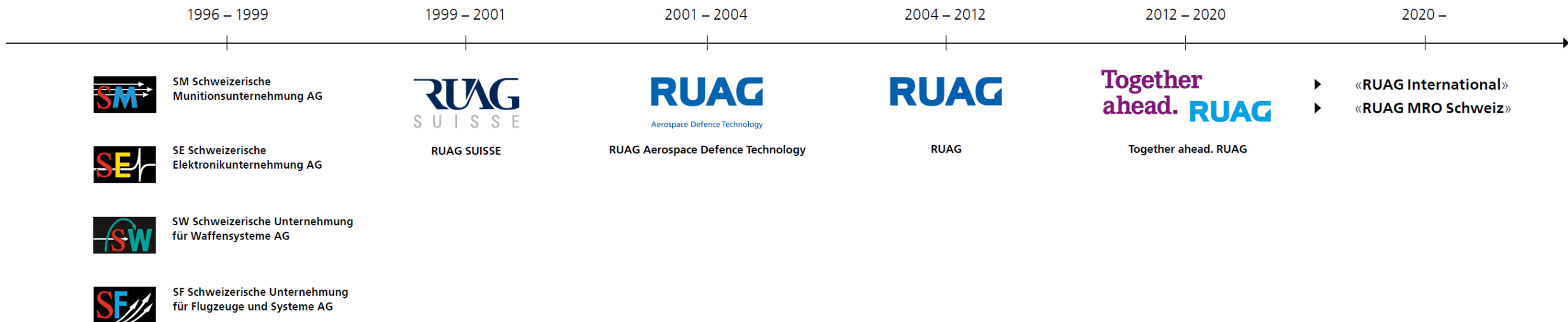


Dr. Marie-Pierre de Bailliencourt
Member of the Board of Directors

Outlook



Transformation of RUAG: Unbundling



Aims of the unbundling



To partition RUAG into two independent legal entities



To enhance its IT security



To provide the DDPS with transparent and cost-optimised services



To give RUAG International an opportunity to further develop its third-party business and open up its shareholder base

Key features of “RUAG International” and “RUAG MRO Switzerland”

Partitioning of RUAG into two independent legal entities

“**RUAG International**” to become an international technology company

- Equates to the **RUAG of today minus** the support and maintenance services for the mission-critical **systems of the Swiss Armed Forces**.
- Is a technology company comprising **Space, Aerostructures, Ammotec, MRO International and Cyber Security**.
- Has **around 6,500 employees**.
- **Swiss and international locations**.
- Could have an **open shareholder base**.
- Strategy in preparation. **Decisions made by the owner on 15 March 2019**.

“**RUAG MRO Switzerland**” to become the centre of expertise for Swiss Armed Forces equipment

- **100% federally owned**.
- Provides **support and maintenance services for the mission-critical systems of the Swiss Armed Forces** (e.g. F/A-18 fighter aircraft).
- **Primary customer is the DDPS** (jobs dependent upon procurement decisions by armasuisse).
- Consists of **national component of Aviation and Defence**.
- **Production sites in Switzerland only**.
- Has **around 2,500 employees** (in all regions of Switzerland).

Summary

- In terms of sales and new orders, RUAG has exceeded the record levels of the previous year.
- The order backlog and intake figures indicate that there is a sound basis for the further development of the business.
- In 2019, the focus will be on increasing profitability and on the unbundling process.
- RUAG expects a steady continuation of business in 2019. The Group is anticipating growth in the aerostructures segment as well as in the ammunition business with armed forces and law enforcement agencies.

RUAG is a technology company which has evolved successfully. That shouldn't change.

A new corporate structure should allow

- **“RUAG International” to continue growing globally while at the same time**
- **“RUAG MRO Switzerland” assures the technical operational readiness of the weapons systems and thus the provisioning of the Swiss Armed Forces.**

Key figures for 2018

Net sales
in CHF m

1,998 m

EBIT
in CHF m

106 m

Investment in R&D
in % of net sales

9%

Net sales by application
in %

Civil

56%

Military

44%

30% Swiss Armed Forces

Net sales by region
in %

Switzerland

38%

Abroad

62%

Headcount

FTE

9,127

of which: apprentices

405

**We listen to make it right.
We stay to make it real.
A promise you can trust.**