

Press release on the half-year results for 2018

## Challenging first half of 2018 for RUAG

**Berne, 30 August 2018. Despite the persistently challenging economic environment, international technology group RUAG raised net sales by 1.2% to CHF 954 million in the first half of 2018 (previous year: CHF 943 million). The order inflow improved to CHF 1,030 million (CHF 1,020 million) and the order backlog increased to CHF 1,693 million (CHF 1,657 million). Earnings before interest and taxes (EBIT) fell to CHF 41 million (CHF 54 million).**

The 1.2% rise in net sales to CHF 954 million is mainly attributable to positive currency effects amounting to CHF 25 million, which compensated for a slight organic decline. The acquisitions made in the course of last year also had a positive effect.

Order inflow was up 1.0% year-on-year in the first half of 2018, at CHF 1,030 million (CHF 1,020 million). At CHF 1,693 million, the order backlog was also 2.2% higher compared to 30 June 2017 (CHF 1,657 million). The order inflow and backlog only take into account multi-year framework agreements insofar as release purchase orders actually materialise.

When compared with the same period last year, earnings before interest and taxes (EBIT) declined by 23.7% to CHF 41 million (CHF 54 million). The operating profit margin amounted to 4.3% (5.7%). As compared to the same period of the previous year, profitability was up slightly in all the divisions except Aerostructures and Aviation; the cyber business also developed favourably. The negative performance in Aerostructures reflects the startup and training costs associated with the establishment of the new production site in Hungary. In the first half of 2018, the Aviation division decided to close the Bern-Belp site due to insufficient capacity utilisation and maintenance contracts that were not being renewed or replaced. All employees were offered alternative employment. However, profitability in the first half of the year was negatively impacted by the costs associated with the closure.

Urs Breitmeier, CEO of the RUAG Group, commented on the half-year results: "Order books and capacity utilisation continued to develop at a good level. However, we need to gradually ramp up our capacity expansion (e.g. Aerostructures in Hungary, Space USA) and achieve our productivity targets. We are stepping up our efforts to improve productivity in the areas of production and support."

RUAG generated 59% (58%) of net sales with civil applications, while 41% (42%) were due to military applications, which means the split is virtually unchanged. The Federal Department of Defence, Civil Protection and Sport (DDPS) remains RUAG's most important single customer and accounted for 28% (29%) of sales, representing a slight decline on the level in the first six months of 2017.

As in the previous half-year, the international technology group generated 64% (64%) of sales abroad and 36% (36%) in Switzerland. The markets outside of Switzerland accounting for the highest share of RUAG's sales were Europe with 50% (46%) and North America with 8% (12%).

RUAG's global headcount was stable at 9,112 (9,110) employees.

When compared with the same period last year, net profit declined by 35.4% to CHF 27 million (CHF 41 million). The pressure on net profit had three main sources: the lower profitability of Aviation and Aerostructures, higher depreciation and amortisation in Space, Aerostructures and Ammotec related to the capacity expansion carried out in recent years, and lower investment income from minority holdings.

The free cash flow achieved in the first half of 2018 was minus CHF 138 million (previous year: minus CHF 174 million; this figure included the cyber acquisition). Higher net current assets, increased investments in capacity expansion and the lower operating results negatively impacted the free cash flow in the first half of 2018. As a consequence, the net financial position decreased from plus CHF 77 million (as of 31 December 2017) to minus CHF 61 million (as of 30 June 2018).

For 2018 as a whole, we expect sales to be slightly higher as compared to 2017 and operating results (EBIT) before unbundling costs to be around the same level as last year.

### **Key events in the first half of 2018**

Full details can be found at [www.ruag.com](http://www.ruag.com).

- 26 January: RUAG signs maintenance contract with the Dutch Coastguard for two Dornier 228
- 22 February: First NATO contract for RUAG Defence
- 2 March: Andreas Berger becomes new CEO of RUAG Defence
- 10 April: RUAG Defence wins another international contract in the area of tactical communication
- 26 April: Dr. Remo Lütolf becomes the new Chairman of the Board of Directors
- 28 May: RUAG Aviation closes site at Bern-Belp
- 27 June: Swiss Federal Council approves concept for the unbundling of RUAG
- 29 June: Dirk Prehn appointed as new CEO of RUAG Aerostructures

Overview of key figures in CHF million	First half of 2018	First half of 2017	Change in %
Net sales	954	943	+1.2%
of which sales with civil applications	59%	58%	+0.7%
of which sales with military applications	41%	42%	-0.7%
of which sales with DDPS	28%	29%	-0.7%
of which sales outside Switzerland	64%	64%	+0.3%
of which sales in Switzerland	36%	36%	-0.3%
EBITDA	81	91	-10.6%
EBIT	41	54	-23.7%
Net profit	27	41	-35.4%
Cash flow from operating activities	-104	-94	-10.8%
Free cash flow	-138	-174	+21.0%
Net financial position	-61	14	-534.9%
Order inflow	1 030	1 020	+1.0%
Order backlog	1 693	1 657	+2.2%
Research and development expenses	72	82	-11.3%
Employees as at 30 June <sup>1</sup>	9 112	9 110	+/-0.0%

<sup>1</sup> Employees, apprentices and temporary staff

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This press release and photos can be found here: <https://www.ruag.com/en/news>

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. 56% of RUAG's products and services are destined for the civil market and 44% for the military market. The Group is headquartered in Berne (Switzerland). It has sites in Switzerland and 15 other countries in Europe, the USA and Asia-Pacific. RUAG generates sales of approximately CHF 1.96 billion and employs more than 9,200 people – of whom 400 are apprentices.