

Press release on the half-year results for 2019

## Unbundling on course – special costs impact half-year result

**Berne, 30 August 2019.** For international technology group RUAG, the first half of 2019 was very much dominated by the process of unbundling and restructuring. As expected, this has a considerable impact on the half-year result. At CHF 19 million, the overall EBIT was lower than the previous year's figure of CHF 41 million. The order book improved by 7.4% to CHF 1,819 million. Owing to exchange rate effects, net sales fell slightly by 1% year on year to CHF 944 million (previous year: CHF 954 million).

The marginally lower net sales of CHF 944 million (previous year: CHF 954 million) were above all due to negative exchange rate effects in the amount of CHF 17 million. At CHF 1,819 million, the order backlog was 7.4% higher than as at 30 June 2018 (CHF 1,693 million). New orders, however, declined by 10.4% to CHF 923 million.

On account of special costs related to unbundling and the planned expenditure for individual projects being exceeded, earnings before interest and taxes (EBIT) were down 54.6% to CHF 19 million compared with the same period in the previous year (CHF 41 million). The operating profit margin amounted to 2.0% (4.3%). Costs for unbundling and restructuring were lower than budgeted in the first six months of 2019 at CHF 8 million, but are expected to rise sharply in the second half of the year. All 25 sub-projects of the unbundling are progressing well and according to plan.

Once adjusted for unbundling costs, EBIT was down CHF 15 million on the previous year. This is attributable to substantial planned cost adjustments for two projects at RUAG MRO Switzerland and declining profitability in individual business units. Over the past few months, the situation at RUAG Aerostructures in Munich-Oberpfaffenhofen (DE) and Eger (HU) has stabilised. The international cyber business has seen growth, as has the Australian site of the "MRO International" division. The Ammotec division also reported a noticeable increase in sales in the Armed Forces & Law Enforcement sector.

Urs Breitmeier, CEO of the RUAG Group, comments on the half-year results: "The unbundling of the group is progressing as planned. On the cost side, our expenses are currently lower than anticipated. When it comes to our operational activities, we must nonetheless continue to boost profitability on an ongoing and sustained basis and ensure our business remains successful even during the process of unbundling."

The free cash flow generated in the first half of 2019 amounted to CHF -184 million (CHF -137 million). The lower operating result coupled with significant growth in net current assets against the first half of 2018 had a negative impact on free cash flow. The decrease in the net financial position from CHF 134 million (as at 31 December 2018) to CHF -50 million (as at 30 June 2019) is above all attributable to the seasonal increase in net current assets as at 30 June 2019 when compared with 31 December 2018.

On 2 July 2019, RUAG sold its two sites specialising in business jets at the Geneva-Cointrin and Lugano-Agno airports to Dassault Aviation. The sale of RUAG Business Aviation AG is the first step in the restructuring of RUAG's portfolio.

For the year as a whole, RUAG is expecting a slight year-on-year improvement in sales and a marked decline in the operating result (EBIT) on account of the unbundling costs.

**Major events in the first half-year of 2019** (details can be seen at [www.ruag.com/news](http://www.ruag.com/news)).

- 9 January 2019: By mid-2022, RUAG will modernise eight of the Swiss Air Force's Cougar transport helicopters.
- 9 April 2019: RUAG MRO Switzerland's specially developed TTEL telephony solution will in future be used as part of the key ICT (information and communication technology) project entitled Voice System of the Armed Forces (VSdA).
- 10 April 2019: RUAG Space to supply the Japan Aerospace Exploration Agency (JAXA) with supporting structures and payload fairings for the new H3 launch vehicle.
- 6 May 2019: RUAG MRO International delivered a brand-new Dornier 228 to New Central Airservice (Japan).
- 17 June 2019: The Federal Council appointed Monica Duca Widmer as chairwoman of the board of the new BGRB holding company.
- 28 June 2019: In an audit of the effective profit margin initiated by RUAG, the Swiss Federal Audit Office (SFAO) found no manipulation in the accounting entries and certifies that RUAG is conducting itself in accordance with its contractual obligations.

<b>Overview of key figures</b> in CHF million	<b>First half of 2019</b>	<b>First half of 2018</b>	<b>Change in %</b>
Net sales	944	954	-1.0%
EBITDA (with/without unbundling costs)	55/63	81	-32.2%/-22.7%
EBIT (with/without unbundling costs)	19/27	41	-54.6%/-35.7%
Net profit	5	24	-81.6%
Cash flow from operating activities	-153	-104	-47.5%
Free cash flow	-184	-137	-34.0%
Net financial position	-50	-61	+16.9%
Order inflow	923	1,030	-10.4%
Order backlog	1,819	1,693	+7.4%
Research and development expenses	62	72	-13.8%
Employees as at 30 June <sup>1</sup>	9,136	9,112	+0.3%

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

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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. Of RUAG's products and services, 56% are destined for the civilian market and 44% for the military market. The Group is headquartered in Berne, Switzerland. It has sites in Switzerland and 14 other countries in Europe, the USA and Asia-Pacific. RUAG generates sales of almost CHF 2 billion and employs more than 9,100 people – of whom 400 are apprentices.