

Berne, 27 June 2018



## Decision from the Federal Council on the "RUAG unbundling" concept

### Statement from the Board of Directors of RUAG Holding AG

20 years after it was founded from four defence companies, RUAG faces a second transformation. The first was based on a finding in the 90s which suggested that the marked decline in orders from the Swiss Armed Forces could threaten the foundations of the defence companies. The aim was to preserve the skills of RUAG by extending the industrial bases (expansion into civil and international markets).

This ambitious strategy proved to be successful. The proportion of DDPS business has fallen from 86% in 1999 to 31% now. At the same time, RUAG has doubled its turnover (to CHF 2 billion) and its number of employees (now 9,100). Internationalisation (presence in 16 countries, 60% of turnover from abroad) and expansion into associated markets (space, aerospace, aviation, sport and hunting ammunition, cyber) have been successful. Despite a downturn in business with DDPS, the number of sites and jobs in Switzerland has been maintained. Over the last 20 years, RUAG has developed from the "arms manufacturer for the government" to an international technology group and major player in Swiss industry.

This successful path can be continued. To do that, though, new foundations need to be laid. As it was 20 years ago, RUAG is now faced with an important transformation. The Board of Directors is aware of this situation.

In a letter dated 21 March 2018, the Federal Council gave the Board of Directors of RUAG Holding AG guidance on the discussions on IT security and unbundling DDPS and RUAG and some initial decisions. At the same time, the Board of Directors was charged with developing a concept for this purpose. The Federal Council has now, at its session on 27 June, discussed and approved the concept. The Board of Directors would like to thank the Federal Council for this decision and the trust placed in it.

The Board of Directors welcomes these decisions, even though they will result in a challenging transformation process. In line with the order, RUAG will be split into a group company bundling the sovereign activities for the Swiss Armed Forces and a second company with civil products and international military business, which will act freely in a competitive market. This new group structure provides both guiding principles and perspectives for the future. While, under normal circumstances, the first company will primarily serve the purpose of security policy, the second company can also be used for this purpose in exceptional cases. The separation of the IT infrastructure introduced at the same time also increases security.

The Board of Directors will conclude the work on the future strategy and submit this to the Federal Council in good time. It is confident that all the fundamental decisions can be made before the end of the year, which will allow them to be implemented by 1 January 2020.

The challenges ahead will be tackled together and successfully overcome. The Board of Directors would like to thank the employees of RUAG for their commitment, their support and their trust.