

## RUAG Aerostructures

RUAG Aerostructures strengthened its position as a tier-one supplier with global operations for developing and manufacturing complete fuselage sections, wing components, and flap and system modules. Thanks to increasing demand for single-aisle aircraft, the division continues to expand.

### Business performance

RUAG Aerostructures expanded its position as an internationally active business in the aviation industry in 2017. As a supplier to well-known customers such as Airbus, Boeing, Bombardier, Saab and Pilatus, the division develops and manufactures complete fuselage sections, wing and control surface components, parts, modules and systems. In doing so, RUAG Aerostructures has enjoyed a key role in the success of the medium range aircraft used by European manufacturer Airbus, and in 2017 delivered more fuselage structures for the latter's single-aisle programme than ever before in the company's history.

RUAG Aerostructures increased its sales by 8.5% in 2017 to CHF 256 million (CHF 236 million). Its contribution to EBIT was CHF 8 million (CHF 12 million). One of the major challenges facing the division in 2017 was successfully completing the transfer-of-work project. In this project, RUAG Aerostructures has been assuming complete supply chain responsibility for the 1,000-plus parts for two Airbus fuselage sections since 2014. However, during the last of a total of six waves in which Airbus parts were taken on as part of the division's supply responsibilities, quality and supply problems arose with a supplier. Thanks to an outstanding effort by the supplier, employees and management, these problems were mostly resolved by the end of the year without any direct adverse effects for the end customer. For RUAG Aerostructures, however, this entailed substantial additional work which were reflected in decreased profitability compared to the previous year.

In March 2017 RUAG Aerostructures opened up an additional production site in Eger, Hungary, with a view to further enhancing the division's competitiveness. In the next few years, more than 180 employees will manufacture sub-assemblies and components such as side shells, seat rails and frames for emergency exits for the Airbus A320 programme and the Bombardier CRJ programme at this new "best-cost country" location. The total investment in Eger (Hungary) equated to CHF 6.8 million in the years 2016–18.

At its main facilities in Emmen (Switzerland) and Oberpfaffenhofen (Germany) RUAG Aerostructures continued systematically to implement its strategy of targeting efficiency gains. The aims are to identify weaknesses in the supply chain at an early stage, minimize friction losses in production and increase the efficiency of support functions.

At its Emmen site, RUAG Aerostructures invested CHF 23 million in the construction of a cutting-edge surface treatment facility in 2017. A major milestone after completion of the construction activities was the handover of the keys on 3 November 2017. In future, aircraft components of up to 7 metres in length will be galvanized, painted and checked for cracks at the facility.

In October 2017, RUAG Aerostructures was chosen by US military contractor Boeing Defense to continue series production of the rear wing flaps of the F/A-18 E/F multirole jet fighter. The contract strengthens the industrial partnership between Boeing Defense and RUAG Aerostructures, which goes back many years.

RUAG Aerostructures underscored its qualities as a reliable supplier with the acquisition of a contract from Swedish aircraft manufacturer Saab to manufacture drop tanks. Moreover, the division chalked up another major contract from its customer Pilatus to manufacture fuselage and wing structures for the PC-21 aircraft.

The critical success factors for the division are lean processes and cutting-edge automation technologies. In terms of R&D, RUAG Aerostructures is currently focusing on new, automated assembly processes while at the same time implementing additive manufacturing processes for new aircraft programmes.

## Outlook

According to the manufacturer's forecasts, the environment in the commercial aviation market is set to remain positive in the years ahead. Airbus anticipates a further increase in demand for commercial aircraft over the next 20 years. According to the latest estimates, Airbus expects a global requirement of around 34,900 new passenger jets and cargo aircraft by 2036 (deliveries). This could almost double the size of the worldwide fleet by 2036.

RUAG Aerostructures is focusing on strengthening and enhancing its position as a global first-tier supplier with the aim of generating profitable growth. The global supply chain will be continuously expanded, with cultivation of new suppliers in emerging countries and systematic enlargement of the supplier network. The new production site in Eger, Hungary now gives the division, as a tier-one supplier with global operations, the opportunity to take direct advantage of production in a best-cost country location.

Finally, the division is working to lock in new business opportunities so as to further improve its market position among the top tier-one suppliers for aircraft structures. Specifically, it is aiming to develop the North American market, and particularly the business relationship with customer Boeing Commercial Airplanes, with a view to further differentiating the customer base.

To set itself apart from its competitors, RUAG Aerostructures is not only expanding its technological expertise in structural engineering, wing components and parts manufacturing but is also focusing on establishing its service offering. A core aspect of this service strategy is the new surface treatment facility at the Emmen site, which will be going into operation in 2018.

## Brief profile

RUAG Aerostructures is a global first-tier supplier of aerostructures for civil and military customers. Key activities include the development, production and final assembly of complete fuselage sections, wing and control surface components as well as sophisticated component assemblies and parts for civil and military aircraft. One of the division's strengths lies in managing complex supply chain networks. Among other things, it is responsible for the complete global fuselage section supply chains for Airbus and Bombardier.

## Customers/partners

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

## Numbers and facts

Net sales:	CHF 256 million
EBITDA:	CHF 11 million
EBIT:	CHF 8 million
Employees (FTE):	1,251
Based in:	Switzerland, Germany, Hungary