

RUAG Aviation

Success in extending the five-year service-level agreement with the Swiss Air Force and concluding the contract for series conversion of the Swiss Cougar helicopter fleet was offset by challenges in the Business Aviation units.

Business performance

The 2018 financial year saw both ups and downs for RUAG Aviation. While the domestic market developed according to plan – five-year service-level agreement (SLA) with the DDPS, various upgrade programmes, and other projects for the Swiss Air Force – the Business Aviation and Dornier 228 lines were faced with continuing challenges. Positive impetus came from the international maintenance, repair and overhaul (MRO) business with helicopters and propeller aircraft. On balance, this resulted in a slight decline in sales to CHF 507 million (CHF 515 million). EBIT decreased from CHF 39 million to CHF 34 million due to the CHF 4 million cost of closing down the civilian maintenance facilities in Bern-Belp.

The five-year SLA for MRO of the Swiss Air Force's systems is allowing RUAG Aviation to be far-sighted in its planning, optimise the use of its resources and thus achieve lasting productivity gains in the area of life-cycle support. In this regard, the division continued in particular to press ahead with its MRO 4.0 project in 2018. This will allow it to take a preventive and even better planned approach to MRO activities, notably by using new and more efficient repair technologies.

The various upgrade programmes for the Swiss Air Force are on track: the prototype for the SRP2 Structural Refurbishment Program to extend the life of the F/A-18 fighter aircraft fleet was completed and the series launched on schedule during the summer. With regard to the Tiger aircraft fleet, the F-5 UCL (Upper Cockpit Longeron) project is due to be completed on time very shortly: the last of a total of 27 upgraded aircraft will be handed over to the Swiss Air Force in

early 2019. The series conversion of the PC-6 cockpit was also completed successfully. In Helicopter Services, the prototype for the Cougar helicopter was further developed, while the contract for series conversion of this helicopter was signed in December 2018. The MFlab NUV project to extend the useful life of the 35mm anti-aircraft guns also progressed as scheduled. The introduction of the new ADS-15 unmanned aerial vehicle system is under way. Elbit Systems (OEM) was chosen as the materiel centre of excellence for the ADS-15 project and RUAG is acting as subcontractor to Elbit.

The division continued to push ahead with its Helicopter MRO Global Business: it acquired more new customers and the MRO business for dynamic components such as gears and rotor heads for Super Puma and Cougar helicopters also put in an extremely satisfying performance. Another highlight was the contract with the Slovenian armed forces for two 12-year inspections for their Super Pumas. Also groundbreaking is the division's work with Bell Helicopters: RUAG Aviation carried out the first final assembly process for a Bell 505 in Europe, and is the first service centre in the region to be authorised by Bell for this helicopter type.

The propeller aircraft business also put in a satisfying performance in 2018, winning a contract from Slovenia to upgrade the avionics on two PC-6 aircraft. What's more, RUAG acquired the Royal Netherlands Air Force contract for MRO services and the introduction of service bulletins throughout its PC-7 fleet on site.

Outlook

Of central importance to RUAG Aviation is the unbundling of RUAG decided upon by the Federal Council during the year under review. The Military Aviation CH and Subsystems & Products business units will come together with the Defence division's Land Systems and Network Enabled Operations Services business units to form the core of the new company with the working name 'MRO Switzerland', which will focus on supplying the Swiss Armed Forces reliably, transparently and cost-efficiently. The division's civil and international activities will become part of independent technology company with the working name 'RUAG International'. The planning for the unbundling is largely complete. During the implementation, which is set to take place over the course of 2019, the central focus will be on the needs of its customers and, above all, the availability of the aircraft and helicopters and the issue of security.

For the Military Aviation CH and Subsystems & Products business units, which to a very large extent operate in the Swiss market, we anticipate sales figures similar to last year's. The focus here will continue to be securing high fleet availability and reliably executing the major F/A-18 upgrade and structural refurbishment programme and the TH98 Cougar upgrade programme.

Growth is expected to stagnate in the foreign domestic markets of Germany, Australia and the United States. Due to the restrictive Swiss export policy, a relatively high level of uncertainty on the customer side is expected. This will also have an impact on potential customers in the MRO business who are currently not affected by export restrictions.

Brief profile

RUAG Aviation is a leading supplier, support provider and integrator of systems and components for civil and military aviation. Servicing aircraft and helicopters throughout their entire life cycle, the company's core competencies include maintenance, repair and overhaul services, upgrades, and the development, manufacturing and integration of subsystems.

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

Numbers and facts

Net sales:	CHF 507 million
EBITDA:	CHF 41 million
EBIT:	CHF 34 million
Employees (FTE):	2,167
Based in:	Switzerland, Germany, USA, Australia, Malaysia