20 years of RUAG
From Swiss federal armaments producers
to international technology group
“RUAG is in the midst of a unique industrial transformation process. Step by step, the former arms manufacturer is remaking itself as a technology group with international operations.”

These two sentences appeared in RUAG’s annual report back in 2005. A more fitting description could hardly be found for the process undergone by RUAG since Switzerland’s political leadership set the course for a comprehensive restructuring and reorientation of Swiss military enterprises by adopting the Federal Act on Federal Armaments Companies (FArmCA) in 1997.

Twenty years later, RUAG can rightly claim to be systematically implementing and continually advancing precisely this unique industrial transformation process, and with great success. In the past two decades RUAG has more than doubled turnover and headcount, established and developed locations around the globe – from the United States to Asia as far as Australia – and played an important role in technologically challenging and prestigious programmes such as the Airbus A380, the F-35 fighter aircraft and the OneWeb satellite constellation comprising 900 satellites.

The founding: market conditions are difficult

The portents were anything but favourable as RUAG Switzerland Ltd commenced operations on 1 January 1999. Not only in Switzerland, but nearly everywhere around the world, military spending had fallen precipitously since the end of the Cold War. Yet even as military budgets were shrinking, the cost of developing new, technologically sophisticated weapons systems remained high. The result was a rapid consolidation of the armaments industry. In Europe, transnational alliances, collaborations and mergers were being forged to secure market positions and corporate competitiveness. Nor did this transformation stop at the borders of Switzerland. Leading domestic enterprises were fleeing the defence industry, in some cases selling their arms units to foreign companies.

Consolidation of all armaments producers

At the beginning RUAG, the new leader of the Swiss armaments industry, brought together four former federal state-run enterprises under one roof. All of the maintenance and production operations of the Swiss Armed Forces were gathered into these four units:

- SE Schweizerische Elektronikunternehmung AG, with head office in Bern,
- SF Schweizerische Unternehmen für Flugzeuge und Systeme AG, with head office in Emmen,
- SM Schweizerische Munitionsunternehmung AG, with head office in Thun and
- SW Schweizerische Unternehmen für Waffensysteme AG, with head office in Thun.

The merger was preceded by comprehensive restructuring in all four companies. The goal: to transform these military organizations into competitive enterprises capable of holding their own on the market. Today RUAG’s activities are organized in five divisions: Space, Aerostructures, Aviation, Ammotec and Defence.

Diversifying with a new strategy

The recently established corporate group faced severe challenges in the form of dwindling orders from the Swiss Armed Forces and diminishing military spending. RUAG was far too dependent on its biggest customer, the Swiss Armed Forces, which accounted for 86 % of the Group’s sales. A new strategy was devised: the Group would diversify and expand its activities in the military and civil sectors both in Switzerland and abroad. In select areas, therefore, RUAG would pursue an expansion strategy encompassing not only organic growth but also acquisitions. In particular, RUAG would seek to expand in the areas of aircraft and helicopter maintenance, repair and overhaul (MRO); command, information and communication systems; simulation and training systems; and small-calibre ammunition.
“National defence will continue to depend on domestic industrial capacity”

Excerpt from the Swiss Federal Council Dispatch on a Federal Act on Federal Armaments Companies (FArmCA), 16 April 1997
At the heart of the RUAG brand is our core belief: “Together ahead.” RUAG believes in the power of cooperation to shape the future. We give the people we work with, including our customers, the good feeling of achieving something together. We are guided by three simple, powerful values: collaboration, high performance and visionary thinking. Together, these three values form the firm foundation from which RUAG fulfils the promise we make to our customers: “We listen to make it right. We stay to make it real. A promise you can trust.”
Leopard 2 main battle tank on test stand at the Thun site.
First successes in civil business

The new strategy quickly took hold. As early as financial year 2000, the then Aerospace division reported 39% sales growth in a third-party market. These gains were the result of various programmes for aircraft manufacturers Airbus, Boeing and Pilatus, global MRO for Tiger fighters, repair of Sidewinder missiles for the US Air Force and manufacture of payload fairings for the American Atlas V launch vehicle. The then Land Systems division also saw an encouraging trend in orders for the civil sector, driven by component assembly for injection moulding machines used in CD production among other factors.

Just one year later RUAG reached a definitive turning point, reporting growth of over 8% for financial year 2001 even as business with the Department of Defence (DDPS) continued to decline. The international market and business with customers in the civil sector saw gains.

Consolidation and expansion

The Ammunition unit was especially hard-hit in the early years by the changes at the main customer, the DDPS. International business development also proved to be a major challenge. Military procurement is subject to political and financial restrictions in almost every country. Success in this arena demands time and tenacity. In the civil sector, meanwhile, there were economic fluctuations to be mitigated and bridged.

Against this backdrop, RUAG took the decision to shift large-calibre production from Altdorf to Thun while expanding the metalworking centre of excellence at the Altdorf location. Within a few months, a new production centre was built and outfitted with the latest equipment in Altdorf. The new centre of excellence commenced operations as RUAG Components with 600 employees at the start of 2002, serving the automotive, coatings, mechanical engineering, defence and environment markets.
In the years that followed, RUAG continued on the path of expansion. With the acquisition of Dynamit Nobel in Germany and Sweden (norma) in 2002, the Group captured the leading position on the European small-calibre ammunition market. That same year RUAG acquired two units of the insolvent aircraft manufacturer Fairchild Dornier GmbH, based in Oberpfaffenhofen, Germany.

At the time RUAG was reeling from the global economic downturn that followed the 11 September 2001 terrorist attacks in the United States. The impact was especially severe at the Aerostructures unit, where jobs were lost due to a sharp drop in civil aviation orders.
Vocational training recognized

Training the next generation is a top priority at RUAG. Some 8% of RUAG’s employees are apprentices, most of them undergoing training in technical and commercial vocations. Training programmes are also available in Germany and the USA. The 400 or so apprentices receive a good, solid grounding at work as part of a thorough on-the-job programme. RUAG works closely with the Swiss electrical and mechanical engineering industry association Swissmem and with the SwissSkills foundation in the area of vocational training. RUAG trainees regularly take the top places at Swiss and international career skills competitions. RUAG is the only Swiss company to have sent trainees to the WorldSkills competition five times in a row.

Recovery with setbacks

Only in 2004 did a hesitant economic recovery begin. Order intake at the world’s leading aircraft manufacturers, Boeing and Airbus, served to indicate that the low point had passed for the aviation industry. Among those benefiting from the new optimism in aviation was RUAG.

Elsewhere, however, the Group suffered a bitter setback through no fault of its own when a catastrophic storm devastated large parts of the Altdorf site in 2005. Property damage in the neighbourhood of CHF 150 million sliced CHF 35 million from EBIT (after deduction of insurance payments). The fact that RUAG nevertheless reported a profit is testimony to the strength that the Group had by now achieved. Following a comprehensive appraisal, the Board of Directors approved rebuilding of the Altdorf site and the associated investments.

The global financial and economic crisis after 2008 brought further setbacks. Business in the civil sector in particular suffered from a drastic drop in orders. Aerostructures and aircraft MRO were especially impacted, as were the automotive and semiconductor supply businesses. Consolidated profit took a hit from CHF 160 million in write-downs, leading to a negative EBIT of CHF 113 million – the only deficit in RUAG’s history so far.
Milestones

RUAG’s four birthdays

10 October 1997
The Federal Act on Federal Armaments Companies (FArmCA) is adopted by both chambers of the Swiss Parliament.

1 May 1998
The FArmCA enters into force upon elapse of the referendum period. The “Rüstungsunternehmen-Aktiengesellschaft” (RUAG – literally “Joint Stock Defence Company”) project is launched.

By acquiring two units of aircraft manufacturer Fairchild Dornier in Germany, RUAG achieves a strong position in civil aircraft MRO.

Production of the Dornier 228 two-engine turboprop aircraft resumes. RUAG develops a new version with the latest avionics, a glass cockpit and a noise-reducing five-blade propeller.

With the acquisition of Dynamit Nobel in Germany and Sweden, the Group captures the leading position on the European small-calibre ammunition market.

After acquiring Saab Space and its subsidiaries Austrian Aerospace and Oerlikon Space AG, RUAG becomes Europe’s biggest independent space supplier.

RUAG takes over the Swiss Confederation’s four existing armaments companies. Targets for RUAG are regularly set by the Federal Council.
1998

RUAG is entered in the Bern-Mittelland commercial register.

1 January 1999

The four existing federal armaments companies are acquired by RUAG effective retroactively at the beginning of the year.

27 May 1998

RUAG acquires Australian aircraft MRO specialist Rosebank Engineering (now RUAG Australia). The acquisition brings synergies in servicing of existing aircraft platforms such as the F/A-18.

Airbus assigns RUAG full responsibility for the entire supply chain for two fuselage sections. Worth roughly USD 350 million, the supplementary contract covers Airbus’s successful A320 model.

2012

The Federal Council decides to split RUAG’s corporate structure into two independent groups. This enhances IT security and ensures robust, transparent and cost-efficient supply of goods and services for the Swiss Armed Forces.

2014

Five-year master agreements are concluded for the first time with armasuisse, significantly improving predictability for RUAG’s activity and resource planning. The contracts are renewed in 2017.

2016

The purchase of the globally active British data security specialist Clearswift and successful commissioning of the Cyber Security Range mark important first steps for the future.

2018

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An aircraft of its own

With the acquisition of the German operations of Fairchild-Dornier in 2002, RUAG not only secured a strong market position in MRO for civil aviation but also became an aircraft manufacturer in its own right. By acquiring Fairchild-Dornier’s Aircraft Services unit, RUAG also secured the OEM rights and licenses to the Dornier 228. In 2007 RUAG decided to resume production of the two-engine turboprop aircraft, developing a new version of the successful multi-purpose plane. This aircraft is equipped with the latest avionics, a glass cockpit and a noise-reducing five-blade propeller.

Venturing into outer space

In its 2010 Corporate Strategy RUAG identified space – until now a comparatively small area of business – as a strategic priority. In 2008 and 2009, the Group had the opportunity to implement this priority in a spectacular fashion. RUAG first acquired Saab Space and its subsidiary Austrian Aerospace and, one year later, the then biggest Swiss space enterprise: Oerlikon Space AG in Zurich. At a stroke, RUAG became Europe’s largest independent space supplier.

RUAG’s new space business has performed very strongly. The Space division has not only seen continuous profitable growth, but has also taken key steps to capture market share beyond Europe, especially in the rapidly growing commercial segment. At two newly built facilities in the United States, RUAG Space will soon produce structures for the American Atlas and Vulcan launch vehicles and for the 900 satellites of the OneWeb project. In addition, the division will manufacture payload fairings for the European launch vehicles Ariane 6 and VEGA-C.
Maintenance work on a Bombardier Global Express business jet at the Oberpfaffenhofen site.
The strategy holds up

The corporate strategy – emphasizing a combination of civil and military applications, focusing on the core business and internationalization – has continued to hold up in the second decade of the still-young technology group’s history. RUAG has established itself as an internationally competitive enterprise, achieving a high degree of credibility vis-à-vis partners and customers. By offering goods and services for both the military and civil sectors and by entering international growth markets, RUAG has been able to assert its market position in a competitive environment while at the same time efficiently fulfilling its core mission of supplying and maintaining the technical systems of the Swiss Armed Forces.
Further expansion and focus

RUAG has gone on to capture promising market segments with further targeted acquisitions. To expand capabilities in component maintenance and gain access to strategically important growth markets in the Pacific region, RUAG acquired Australian aircraft MRO specialist Rosebank Engineering (now RUAG Australia) in December 2012. The acquisition brings synergies in servicing of existing aircraft platforms such as the F/A-18 while also expanding capabilities on new platforms such as the state-of-the-art F-35 fighter. In 2013 RUAG acquired the French company GAVAP (now RUAG Defence France), specializing in simulation and training systems. The acquisition opened up medium and long-term growth opportunities in the field of virtual and live simulation.

But focusing has also meant that it is no longer possible to pursue all former activities under the RUAG umbrella. The activities at the Altdorf location that were not part of RUAG’s core business were spun off from RUAG in 2012 and transferred to four newly founded companies. Three of these four companies found buyers, but the Automotive unit had to be closed down at the end of 2013.
“Focused application of available technologies in the civil sector”

Excerpt from the Federal Council Dispatch

New opportunities in cyberspace

Security in cyberspace, by contrast, offers growth opportunities. Protecting IT infrastructure and global data communications is an indispensable element in the digitalization of the global economy. RUAG has therefore accelerated the expansion already under way in its cyber-security activities. In 2016 RUAG itself became a victim of hackers. The attack demonstrated that even ostensibly well-protected organizations are not wholly immune to such breaches. The incident further bolstered RUAG’s conviction that cyber-security will only continue to grow in importance. Through rapid expansion of the business area and by acquiring British specialist Clearswift, the Group has positioned itself as a supplier on this growing market while gathering additional know-how to protect its own systems and data against attacks.

Looking ahead with confidence

After two decades of change, RUAG now has a broad industrial base on which it can look to the future with optimism. Since 2004 the Group has generated over half of all sales abroad; and since 2007 the DDPS has accounted for only around one-third of turnover. This nevertheless leaves the DDPS as the Group’s most important customer. Good orders from the civil sector and abroad make it economically feasible for RUAG to ensure it can supply the DDPS with the latest technology.

By winning contracts for the new OneWeb space project and with the Cyber Security business unit, RUAG has established itself in lucrative market sectors of the global digitalization megatrend. Meanwhile the company has steadily expanded its partnership with the European aerospace group Airbus.

Share of sales in Switzerland and abroad

In 1999 military production for the DDPS accounted for 86 % of RUAG’s net sales (CHF 797 million). In recent years this share has fallen to around one-third.

Share of sales to DDPS compared to civil sector

While domestic sales have remained more or less constant over the years, sales volume abroad has multiplied. In recent years RUAG has generated some 60 % of sales abroad.
Drilling rivet holes in the tail section of a Bombardier CRJ at the Oberpfaffenhofen site.
Switzerland also benefits from this internationalization and diversification, gaining access to a broader spectrum of promising civil and military technologies while assuring growth and employment at home.

- RUAG currently employs around 4400 people in Switzerland, making it the fifth-largest Swissem company.
- RUAG is by far the biggest defence technology company as well as the biggest space company in Switzerland. RUAG Space is an especially important partner for Swiss universities.
- Since its founding, RUAG has paid increasingly higher dividends to the Swiss Confederation. In all, CHF 251 million has accrued to the owner since the founding. The most recent payment (2017) amounted to CHF 40 million.

Ambitious goals for the future

The “RUAG Future Development” project is of great importance for employees as well as customers and the owner. It will be highly important to the further implementation of RUAG’s strategy as well as the military industrial base and jobs in Switzerland.

In mid-March 2018, with the assent of the RUAG Board of Directors, the Federal Council resolved to unbundle and restructure RUAG’s business areas. The objective is to improve IT security and ensure robust, transparent and cost-efficient provision of goods and services to the Swiss Armed Forces. The primary focus is support for – and servicing of – Armed Forces systems, which are to be consolidated in a new corporate entity that has yet to be established. This new company will be spun off from other parts of RUAG which conduct civil and international military business worldwide.

Twenty years ago Switzerland’s political leadership set the course for RUAG’s founding. Despite challenging market conditions and a few early setbacks, the corporation has accomplished the transformation from state-controlled enterprise to technology group masterfully. Thanks to successful internationalization and a broad customer base, RUAG today can look to the future with confidence.