

PILATUS AIRCRAFT LTD

ANNUAL REPORT 2020



 **PILATUS** 

3	BOARD OF DIRECTORS' REPORT
7	EXECUTIVE MANAGEMENT REPORT
13	BUSINESS UNIT GENERAL AVIATION
19	BUSINESS UNIT GOVERNMENT AVIATION
24	OPERATIONS
31	HUMAN RESOURCES
32	AIRPORT BUOCHS LTD
36	FACTS AND FIGURES
39	MANAGEMENT
41	BOARD OF DIRECTORS

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FACTS AND FIGURES

KEY FIGURES AT A GLANCE

TOTAL SALES



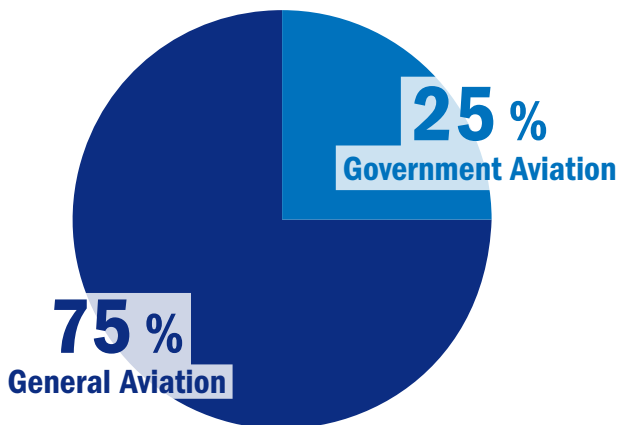
1,116 CHF million

EBIT

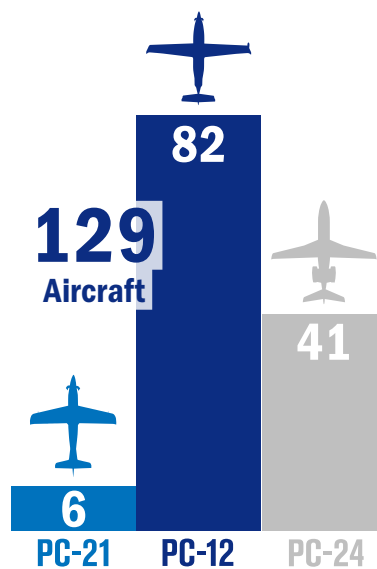


155 CHF million

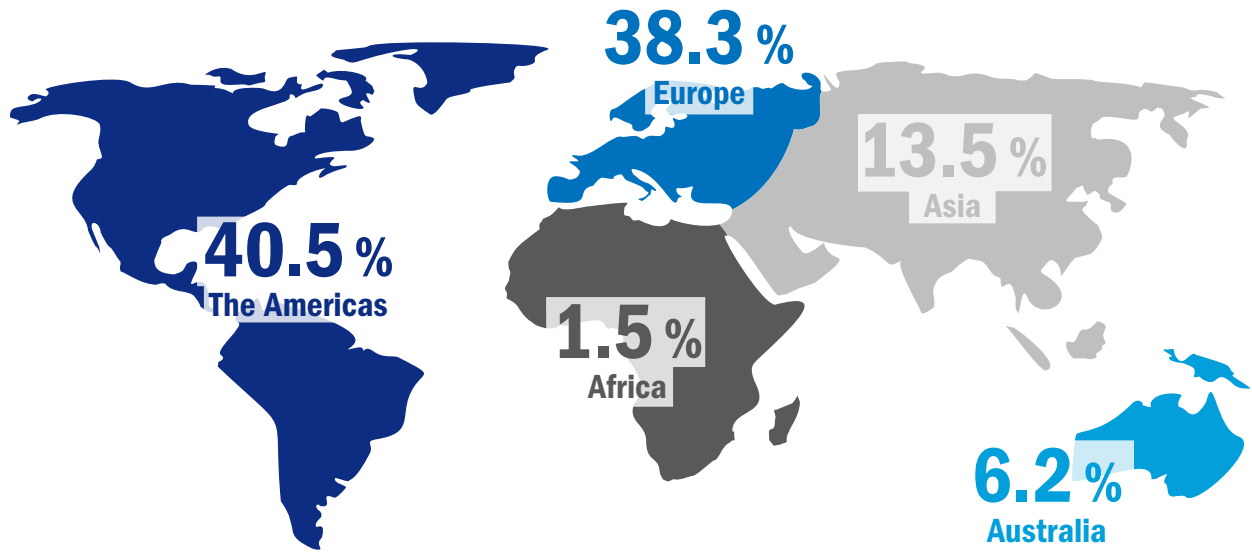
SALES BY BUSINESS UNITS



AIRCRAFT IN NET SALES



SALES BY REGION



ORDERS RECEIVED



836 CHF million

ORDER BOOK VALUE



EMPLOYEES



15.7%
Women

50
Nations

10
Years of service

56.3%
in Production

134
Apprentices

92.1%
in Switzerland

BOARD OF DIRECTORS' REPORT

WE OVERCAME A DIFFICULT YEAR – WITH FLYING COLOURS!



What a year! We are quite sure there is not a company in the world that will not mention the Corona pandemic and its impact on the business, the employees and on their families in its annual report. The virus came upon the world unexpectedly, and with dramatic consequences in so many areas. Pilatus is no exception in this respect. The turbulence is tremendous and ongoing.

One thing has been – and is still – difficult above all else: in many areas, our reactive environment has repeatedly and frequently triggered events that have affected us. In the last year, we responded accordingly, but always with the necessary basic flexibility. We continually monitored and adjusted our variables, just as a good pilot would do. We – and by that I really do mean everyone in the company – achieved so much, kept cool heads and

always looked calmly to the long-term future. Our solid nerves were undoubtedly further reinforced by the knowledge that we were able to rely on the liquidity, so wisely built-up, during the good times.

And so we always held the reins in our own hands, with at least ten days' head start on developments. For example, we introduced enhanced site access control with mandatory temperature checks at an early stage. We did the same with compulsory mask-wearing, which was obligated soon after. We found ways of overcoming the sudden distance between us and our customers. Solutions were found for broken supply chains. I simply cannot list here all the action areas, or describe all the measures we took.



The new facility of our subsidiary, Pilatus Australia Pty Ltd in Adelaide

At 1.1 billion Swiss francs, turnover is almost at the same level as in 2019, and the operating result is actually slightly better at 155 million Swiss francs. That speaks volumes about our good work. We mastered a difficult 2020 with flying colours! Proof that we dealt with it well lies in the fact that, although we have a very strange year behind us, we are able to look back on twelve months in which we repeated the previous year's good results.

A PRECISION LANDING DESPITE CROSSWIND

I am especially pleased that we managed to close this particularly challenging year with a precision landing. On New Year's Eve, we handed over the year's 129th aircraft, just as planned. Our healthy order book complements that achievement. We are sold out in 2021! Our latest flagship products in particular, the PC-12 NGX and the PC-24, are selling extremely well.

In the context of this encouraging picture, it is fitting that we were able to deliver our 100th PC-24 at the end of the year. Our Super Versatile Jet enjoys growing popularity around the world. I am convinced that it will be one of the winners in the world transformed by the Corona pandemic. We note that companies are now building up their flight departments, once again, rather than reducing them further, as seemed to be the case before Corona. The reason is simple: the value of personal safety and flexibility has increased, yet again. Private aircraft offer a high degree of protection. What was once considered a luxury commodity is increasingly viewed as an ordinary form of transport, which can be used efficiently and reasonably, and therefore makes good sense. This growing trend is confirmed by the many flourishing "sharing companies" which allow aircraft co-ownership or rental. But our important General

Aviation Business Unit is not the only one to have done well in 2020. There are success stories to report in our Government Aviation Business Unit, too. I was delighted to receive an order for our PC-21 from Spain at the start of the year, for example. That January order was a breakthrough for which we had worked long and hard.

Then there was the move into our new, company-owned building at the airport in Adelaide, Australia – after four years of preparation and construction work – all this, and right on budget, too!

CHALLENGES REMAIN

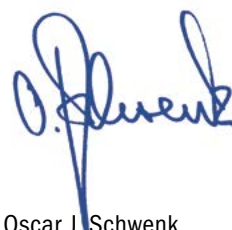
We can turn it and twist it however we want: the difficult circumstances we faced for the first time last year are set to continue for some time yet. It is difficult to say whether major air shows or marketing events will be permitted in the foreseeable future. I doubt it. In General Aviation, we managed to do without them over the past year. The general standstill will only become a real obstacle as time goes by. On the one hand, we miss the delegations which visited us in Stans for talks almost every day until February. On the other hand, we were scarcely able to travel ourselves. In the long run, that is not a good situation and I hope we will soon regain our freedom of movement.

To ensure our continued success into the future, we have therefore also initiated a three-year strategic plan in which we have made alignment of our work with new technologies a stated goal. Investments are another target area. Further automation of structural assembly, for example, will deliver increased efficiency. That is important far beyond our own operations, because increasing and maintaining efficiency are decisive levers. Thanks to them, Switzerland will be able to secure its competitiveness as a workplace. That is what we are focusing on, as the Board of Directors.

LEGAL CERTAINTY AT LAST

“We did everything right”, I said in 2019, when Pilatus was prejudged by the media for alleged violations of the law on civil security services provided abroad. We defended ourselves and received support from responsible politicians. In the meantime, under parliamentary pressure, the regulations have been amended to the effect that services provided in connection with authorised exports are no longer subject to mandatory reporting. Right at the start of 2021, the Swiss Federal Administrative Court fully upheld the Pilatus appeal and lifted the bans in place. The Swiss Federal Department of Foreign Affairs (EDA) must now reassess Pilatus’ activities abroad in favour of our customers. I am confident that the EDA has understood the mandate from the Swiss Federal Administrative Court and the parliament, and that legal certainty has thus been restored.

So, as you can see, we have been through a lot, and we have a lot planned, too. We have learnt to deal with extraordinary challenges. Like ants, we work in changing teams, with great strength and astonishing capacities. It is no coincidence that we write about these impressive, phenomenal insects in the story which accompanies this report. Like them, we want to overcome obstacles together, calling on our own tactics and ideas. In typical Pilatus fashion – one for all, all for one!



Oscar J. Schwenk
Chairman





EXECUTIVE MANAGEMENT REPORT

LESS AFFECTED BY THIS CRISIS



2020 was a roller coaster of emotions: we were shaken back and forth in the turbulence. Early in the year, we started at full capacity, recruited extra staff and generally expanded our operations only to then slip suddenly into two months of short-time working due to the Corona pandemic which hit us, and so many others too. We had already started to consolidate by early March. We implemented an immediate staff freeze and took steps to reorganise the sudden disruption to our supply chains. Despite all difficulties and obstacles, we soon came to realise that the market was alive and reasonably well. And so we embarked on targeted investment and set out to take advantage of distortions caused by the crisis on the one hand, paired with solid market demand on the other.

For us, the most astonishing realisation of the year was the certainty that, for the first time in over 25 years, we were not substantially impacted by a major global crisis. This development imbued us with a certain confidence: although customers undoubtedly held back for four to six weeks, they returned thereafter and we saw rising general aviation market demand. Our biggest challenge was not merely coping with the pandemic itself, but also finding answers to disrupted supply chains and the threat of production delays. Today, I can say that we found those answers thanks to a convincing performance and outstanding commitment from all involved – employees, customers and partners alike.

The situation amongst our suppliers was particularly difficult for us all. We went through a year of disruption. For two months, we saw the supply chains collapse almost completely. Even worse, many suppliers were no longer able to serve us in a timely manner from that point on and, in particular, the overall quality of supplier components declined. We felt the difficulties of our supply chain partners at first hand, but were not alone in this respect in the worldwide aviation business. Everyone is still struggling with the same problems, even now. Things became yet more complicated when all this was compounded by a fire at the plant of one of our engine manufacturers. We put together a new production schedule, monitored the ongoing situation and communicated even more than we already do.

We are now well on our way, thanks to these measures, which are still in place. We are holding steady, for example in Government Aviation, where the lack of contact with customers due to travel restrictions is felt particularly keenly. Discussions are difficult, and take longer, now that there is no opportunity to talk directly to government customers about evaluation and purchasing decisions. Progress with major projects is difficult to predict in these circumstances. And yet we are on the right track. Overall, the Pilatus order book is filled for 2021.

MANY HIGHLIGHTS DESPITE THE CRISIS

Special highlights included the delivery to Alaska and the maiden flights of the aircraft for Sweden – all medevac PC-24s. I was particularly pleased with the delivery of the Spectres to Ireland, a PC-12 specially equipped as a surveillance aircraft. The trainer contract with Spain for the PC-21 was also a great source of satisfaction. As were the two PC-24s ordered by the Qatar Emiri Air Force at the end of 2020. But the absolute highlight was the huge demand for our general aviation aircraft. There will be opportunities to build on these highlights: the forecast figures for aircraft deliveries and the financial result indicate that a record year awaits us in virtually every respect. We will bring supplier problems under control and, with further measures in Human Resources, retain our well qualified people and recruit new specialists. Technologically, we shall take further important strides forward and, in the area of investment, we will lay the foundations for future projects.

ONGOING INNOVATION AS THE KEY TO SUCCESS

So, how do these accounts of difficulties and unexpected events square with our business success in 2020, and indeed with the results we anticipate in 2021? The answer is simple: having done our homework in the past, we were able to call on a great deal of commitment, experience and well-coordinated teams to manoeuvre the company through the crisis.

Our core task has always been to make innovative, robust, reliable products and sell them worldwide. The results of this strategy were particularly evident in 2020. Our further development work in the shape of the PC-12 NGX did exceptionally well over the past business year. The NGX is the world's first turboprop in its class to fly with an electronic propeller and engine control system as well as automatic thrust control. The NGX allowed us to continue the PC-12 success story in spectacular fashion over the past year, following on seamlessly from the major development steps in 2016 and 2008. In demonstrations, the aircraft impressed with its efficient engine system, enhanced avionics and completely new interior, creating an undeniable "wow" effect.

We intend to continue investing much energy and effort in the development of new technologies, as we did in 2020. We tested new composite components, we continued to improve our avionics systems and we are working on reducing the weight of our aircraft. We also started experimenting with new design development tools, making further progress with digitalisation. It improved our products, but also the quality of our processes.

WE AIM TO BECOME EVEN BETTER

Having identified various areas in which we can become even better and more innovative, we do not intend to let-up our efforts. Take the PC-24, for example – our Super Versatile Jet – where, despite huge demand, we still have substantial gains to make in the areas of reliability and services. Here, we have not yet reached the high standards we have set ourselves. In 2021, we shall take the measures needed to improve our reputation and optimise our processes. All this to meet the high expectations customers have of a Swiss quality product.

We all worked extremely hard as a team throughout 2020. The books are balanced and our employees will once again share in our financial success with a bonus of maximum 1.5 times their monthly salary.

We believe we will do even better in 2021, with or without the turbulence of the ongoing Corona pandemic.



Markus Bucher
Chief Executive Officer



A company on a small scale

It is not uncommon for an anthill to be over a metre high with a perimeter of four metres or more. A pyramid built by man is “nothing” by comparison. These tiny insects gather together soil and plant debris to create the mound. In cool climates, they pile fir or spruce needles on top to protect the nest and offspring from the cold. The area colonised by the ants is about twice as large as the visible part, so the nest protrudes into the soil by as much as its height at least.

Inside the anthill things are far from chaotic, as one might imagine, perhaps. Everything is organised with precision. The queens occupy chambers in the middle of the nest. The areas for eggs, larvae and pupae are kept strictly separate.

The entrances to the nest are closed up when it rains or becomes cold. And when it gets too warm, the ants activate their air-conditioning by opening up the mound in several places to let the old air escape and new air come in. In the spring, when the nest has to be heated up again as quickly as possible, the ants go outside to soak up the sun, storing heat in their bodies which they then release into the cold nest.

Once short-term survival is assured by the anthill, each ant works towards the goal of long-term growth. The ant colony does not think in quarterly figures – development strategies are always geared around generations.





“ Poolhurst Aviation have been Pilatus customers since 2009 having previously operated two new PC-12 NG aircraft. The company transitioned to a new PC-24 in October 2020 and it has exceeded our expectations. The increased capability of the PC-24 allows us to better service our company needs and also the needs of our charter clients. The ability to cruise at 45,000 feet above the weather and reach our destinations sooner, whilst still accessing unimproved runways, is a definite advantage that we are now able to bring to market.

Neil Waterman, Chief Pilot, Poolhurst Aviation Pty Ltd



Watch what Poolhurst Aviation says about the PC-24
pilatus-aircraft.com/videos

24



BUSINESS UNIT GENERAL AVIATION

OUTSTANDING – IN SPITE OF EVERYTHING

One insight shines like a light over everything in the past business year – which was complicated for everybody – confirming a long-held belief: people are definitely the best and most beautiful thing about aviation! The way in which everyone in the Pilatus Group in Switzerland, the USA and Australia, as well as all those in our global sales and support network, worked so hard is extraordinary. Despite the challenging conditions – including many cancelled air shows – they sought, and found, new solutions for our Pilatus customers, day after day. Those efforts, plus the special measures which were put in place, have delivered another set of outstanding year-end results in General Aviation. This can be seen most effectively in the number of aircraft delivered.

The 82 PC-12s delivered to our customers are a remarkable achievement considering the circumstances. The successful market launch of the PC-12 NGX is particularly pleasing in this context. Having already sold a staggering 1,700 PC-12s by the beginning of the last fiscal year, we made further decisive improvements to our flagship product, raising it to yet another new level of technology. We had announced the PC-12 NGX in the autumn of 2019 with the slogan “The best time to fly the best is now” – and we kept our promise. Today, experts and satisfied customers alike regard it as quite simply the best single-engine turboprop business aircraft yet, equipped with, among other things, smart avionics technology and full authority digital engine control – a world first in this market segment. It is hardly surprising that dealers are currently sold out and order volumes are tremendously healthy for 2021.

100TH PC-24 DELIVERED

We reached a milestone with the PC-24, our Super Versatile Jet. Just under three years after the first delivery, we were able to hand over the 100th model to one of our customers. By the end of 2020, the PC-24 fleet had logged over 33,500 safe hours in the air. It now flies on every continent in the world. The 100th aircraft went to Jetfly Aviation, where it is used for business travel. All in all, we delivered 41 PC-24s over the past year. Meanwhile, it is no longer a secret that the PC-24 has made a name for itself as an outstanding tool for medevac missions worldwide. The Royal Flying Doctor Service of Australia leads the way, currently flying well over 100 hours a month with its PC-24s, providing emergency assistance on a daily basis. The North Slope Borough Search & Rescue Department in Alaska has also operated a medevac PC-24 in the most northerly regions of the USA since early 2020.

From today's perspective, it is more than encouraging that we are already at maximum order capacity until some way into 2022. Our order book will remain open nevertheless, as it has been for over a year now, and we have no plans to close it again.

2020 ended on a good note with an order from Indonesia for our very last five new production PC-6 aircraft. The delivery of these aircraft will mark the end of a production run which has lasted since 1959, making the legendary Pilatus Porter one of the world's longest-produced aircraft. It will still be flying worldwide for many years yet thanks to our first-class customer service.

Another highlight of 2020 took place “Down Under”. In Adelaide, our subsidiary, Pilatus Australia Pty Ltd, moved into a new, company-owned building. This brings us even closer to our customers and allows us to guarantee our proven services locally.

UPTURN IN BUSINESS AVIATION – THANKS TO CORONA

In a year such as the past one, it is obvious that not everything will turn out as we imagined it might in a best-case scenario. Sometimes we were the ones having to find creative solutions to deal with the unexpected impact of new circumstances, sometimes the difficulties were of our own making. It soon became apparent that the Corona pandemic would make Pilatus Class business flying more bureaucratic and more cumbersome. The sudden imposition of online channels rather than one-to-one contact made things more complicated and created additional work for us in many cases. On the customer side, however, this was more than offset by the growing appeal of our products. In these pandemic times, many of our customers have come to appreciate their PC-12 or PC-24 even more. The aircraft and the associated type of travel showed themselves to be resistant and efficient means of transport during the Corona pandemic.

STRONGER PRESENCE IN THE USA

Reliability, value retention and versatility are the cornerstones of the good reputation built by Pilatus and we intend to uphold these values throughout the coming year. Accordingly, we anticipate that the PC-12 and PC-24 will continue to benefit from a very strong position in the market. We have sophisticated, innovative products plus an experienced, dedicated global support network on the one hand, and we note a scarcity of new aircraft coupled with increased demand on the other. We are therefore optimistic about the future, even if the Corona virus and its repercussions are likely to be with us for some time yet. It is precisely in such uncertain times that Pilatus aircraft embody the safe, reliable answers sought in a business tool. It is only logical that we strengthen our presence in our current locations. For example, we plan to increase our profile and become more efficient with a new paint shop at our subsidiary in the USA.

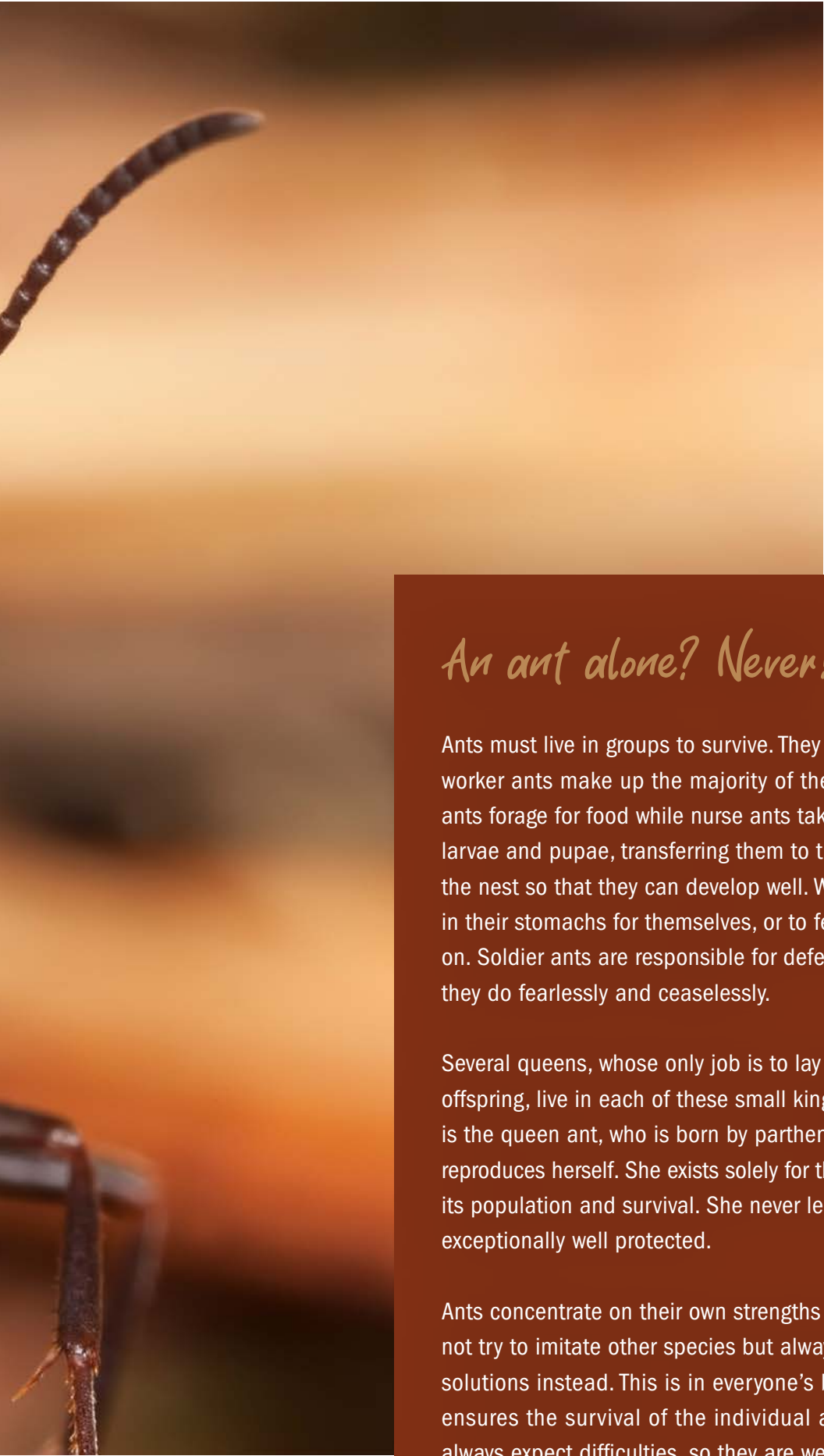
We remain firmly on course despite momentary turbulence. This past year, when we delivered so many new aircraft despite Corona, is further proof that we can do it.

“The PC-24 has exceeded our expectations. We are extremely pleased with its performance. The ease of operation and its unique capabilities make it one of the best aircraft for our needs.”

Will Robertson, Chief Pilot North Slope Borough Search and Rescue







An ant alone? Never!

Ants must live in groups to survive. They all know that. Female worker ants make up the majority of the colony. Field worker ants forage for food while nurse ants take care of rearing the larvae and pupae, transferring them to the warmest spots in the nest so that they can develop well. Workers can store food in their stomachs for themselves, or to feed to other ants later on. Soldier ants are responsible for defending the nest – which they do fearlessly and ceaselessly.

Several queens, whose only job is to lay eggs to provide for offspring, live in each of these small kingdoms. The key to this is the queen ant, who is born by parthenogenesis – i.e. she reproduces herself. She exists solely for the colony, to guarantee its population and survival. She never leaves the nest and is exceptionally well protected.

Ants concentrate on their own strengths and abilities. They do not try to imitate other species but always search for specific solutions instead. This is in everyone's best interests and ensures the survival of the individual and the colony. Ants always expect difficulties, so they are well prepared for crises and can respond quickly and effectively.

“ As General Officer Commanding of the Irish Air Corps, I was delighted to accept delivery of the Pilatus PC-12 into service in April 2020. The PC-12 had been chosen as a multi-role aircraft for the Irish Air Corps, capable of operating in ISR, passenger, cargo and air ambulance roles. The aircraft has proven itself to be reliable, robust and versatile, delivering a new level of capability to the Irish Defence Forces, rendered all the more evident due to the impact of COVID. As we build confidence in the aircraft and develop its new roles, I have no doubt that the PC-12 will live up to its well established track record, delivering capability both at home and abroad. I look forward, over the coming years and decades, to building on the relationship that we started with Pilatus almost twenty years ago.

Brigadier Rory O'Connor, General Officer Commanding, Irish Air Corps



BUSINESS UNIT GOVERNMENT AVIATION

PC-21 CONTRACT FROM SPAIN IS A HIGHLIGHT

We started the year with a first, big success in January, when we signed a contract for 24 PC-21s with the Spanish Air Force, the Ejército del Aire. The order also included the necessary training equipment such as simulators. Thus, after a lengthy period of preparation and negotiation, we achieved further significant expansion of our footprint in Europe with another prestigious air force. The fact that the maiden flight of the first Spanish PC-21 took place as early as December of last year – less than a year after the contract was signed – was a deserved source of pride for the entire team. The rollout of the first aircraft took place in Stans, attended by a Spanish delegation. Looking back and ahead, we can now confirm that production of the ordered PC-21s and simulators is proceeding to schedule. We expect to be able to deliver the first trainers to Spain in the second half of 2021.

We have been busy with other projects, too. The French Air Force ordered a third PC-21 simulator. Additionally, at the end of 2020, the first PC-21s operated by the Swiss Air Force were flown to Stans for modification work as part of the value preservation programme.

BREAKTHROUGH IN EUROPE WITH THE PC-12 SPECTRE

In October, three PC-12 NG Spectres were delivered to Europe for the first time: the Irish Air Corps uses the single-engine, specially equipped aircraft for surveillance and transport missions. Earlier in the year, we delivered a PC-12 NG with nine passenger seats to the Irish Air Corps for special transport operations in April – less than a month after receiving the order. Amongst other things, Ireland needed the cost-effective PC-12 for rapid transportation of Corona tests to laboratories. A significant achievement on the part of Pilatus! November brought exciting news in relation to the PC-24 when we signed a contract with the Qatar Emiri Air Force for two PC-24s, giving us another foothold with a second air force besides the Swiss Air Force. The deal includes a five-year support contract to provide on-site technical assistance for the aircraft. The Qatar Emiri Air Force intends to use the PC-24 for pilot training and VIP transportation. Production of the six PC-24s for KSA – the Swedish Air Ambulance – is also proceeding according to plan. KSA ordered the aircraft with medevac equipment to be installed by a Swiss partner specialising in ambulance interiors. All six aircraft will be delivered to Sweden in 2021.

AN IMPORTANT PILLAR: CUSTOMER SUPPORT

We performed better than expected in the customer support area, too. 2020 saw us pursue the continuous growth from previous years, thanks primarily to support and maintenance work for customer aircraft provided within clearly defined contractual relationships.

We achieved a consistently high level of satisfaction amongst our PC-21 customers, meeting aircraft availability goals for all customers in full. In Australia, there will be changes due to the decommissioning of the PC-9: the performance-based support contract for the 49 PC-21s will now come into full effect. We were also able to extend numerous maintenance contracts with other longstanding customers in 2020. These agreements cover, among other things, spare parts and repair supply services, technical publications and responding to technical inquiries.

We were active in the area of training, too, with many innovations and updates in the field of ground-based training systems for existing fleets. We also demonstrated new virtual reality technologies and interactive wallboards to selected customers. We held a total of 85 training courses: 58 for customers and 27 for Pilatus-internal purposes. Of those 85 courses, seven were offered as online training. 503 participants took advantage of these lessons, each of them completing some of the 428 course days offered in total.

DIFFICULT CHALLENGES, TOO

We would not sound credible if we were to claim that everything went smoothly, especially in a year like 2020. Ongoing export restrictions by European Union states did not make life easy for us. Even more dramatic, however, were disruptions to our supply chains and the decline in transport capacity caused by the corona pandemic and its repercussions. We faced new challenges as a result. Serving our customers on-time proved difficult. The cancellation of air shows and trade fairs also had a negative impact. The only air show we managed to attend was in Kuwait at the beginning of the year. Our own event, the Trainer and Operator Symposium – TOPS 2020, also had to be cancelled. Held every three years, as a general rule, this major gathering is our most important customer event in the military arena. Whilst we all had to make do without air shows last year, we were still able to hold selected evaluations and demonstrations with individual customers. In the same vein, it was logical that the number of hours flown by customer aircraft also fell in general. Due to Corona-related restrictions, there was a significant decrease in the number of flight hours, training sessions and courses. And yet we managed to cope with it all. Which is one of the reasons why we are positive about our outlook for 2021. The PC-21 is extremely successful on the market and continues to establish itself. Moreover, we are ready to meet the increased demand for PC-12s and PC-24s for government customers.

“ Our Pilatus PC-21 trainer fleet has been the backbone of our Pilot Training System for the past 6 years. Based on this good experience, we have decided to use the PC-24 to provide advanced training to our multi-engine crews, and also for VIP transportation.

General Eisa Rashid Al-Mohannadi, Qatar Emiri Air Force Academy Commander

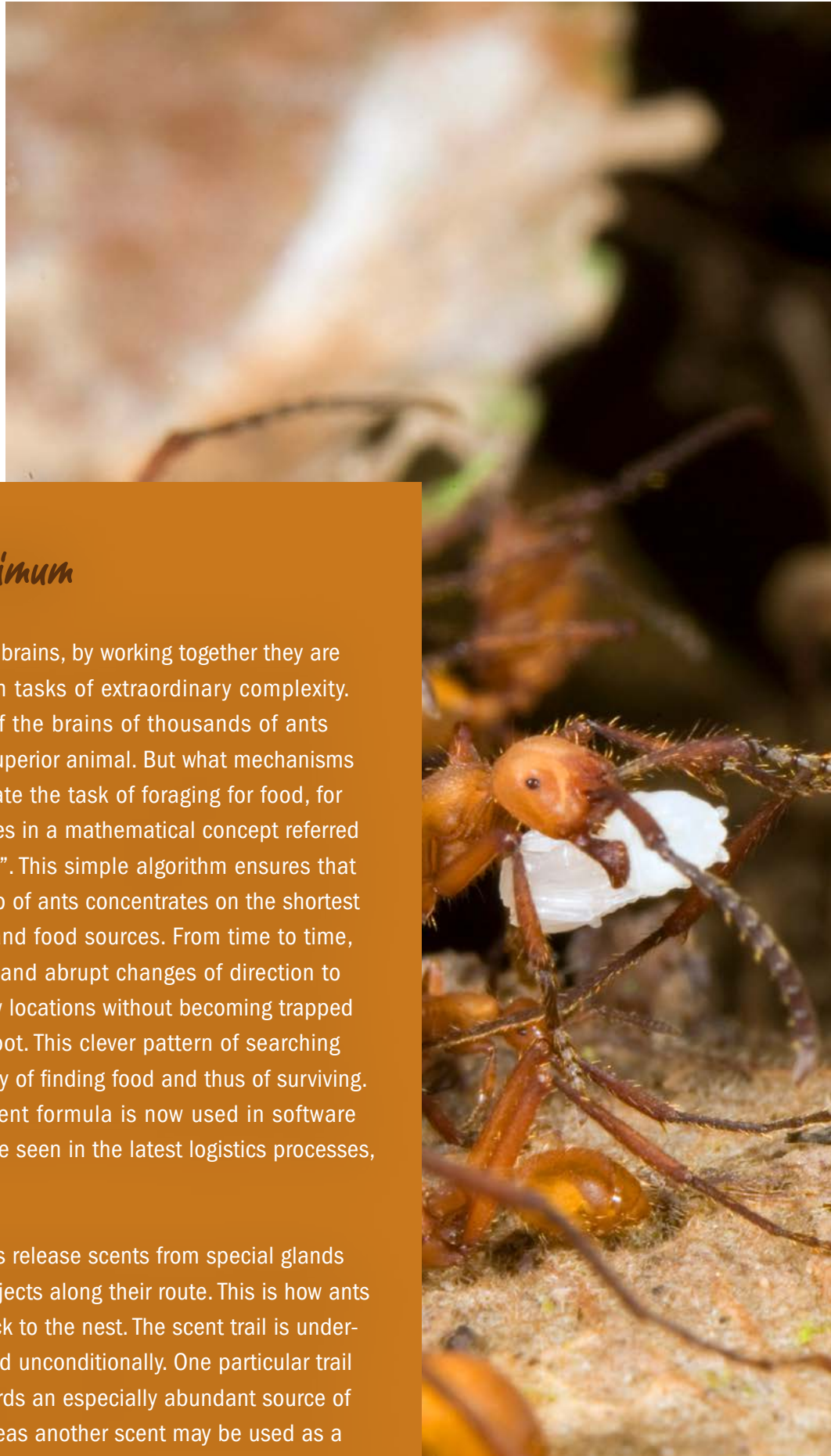


25°9'1"N | 51°30'2"W

Randomly optimum

Although ants have tiny brains, by working together they are capable of dealing with tasks of extraordinary complexity. Almost as if the sum of the brains of thousands of ants formed the brain of a superior animal. But what mechanisms do they use to coordinate the task of foraging for food, for example? The answer lies in a mathematical concept referred to as the “random walk”. This simple algorithm ensures that a sufficiently large group of ants concentrates on the shortest paths between anthill and food sources. From time to time, the ants make random and abrupt changes of direction to allow exploration of new locations without becoming trapped in any one particular spot. This clever pattern of searching optimises the probability of finding food and thus of surviving. Exactly the same efficient formula is now used in software development and can be seen in the latest logistics processes, for example.

On their travels, the ants release scents from special glands onto the ground and objects along their route. This is how ants easily find their way back to the nest. The scent trail is understood by all and followed unconditionally. One particular trail may point workers towards an especially abundant source of food, for example, whereas another scent may be used as a warning: when an ant detects a danger it emits an alarm scent to warn all the others.





OPERATIONS THROUGH THE PANDEMIC WITH TEAMWORK

RESEARCH AND DEVELOPMENT

Despite Corona and related restrictions in many countries, all customer requirements were met by the Research & Development Unit, thanks to a great sense of team spirit and much perseverance. In particular, the Flight Service team successfully carried out all flight operations for customer deliveries, despite extraordinary challenges in flight planning. Official approval was obtained for several product enhancements and new factory options for all products.

For the PC-24, we obtained final certification for use on grass runways and on wet gravel or sand surfaces. Improvements include digital weather radar and Future Air Navigation System (FANS) datalink. We also made various enhancements to the avionics and utility management software – the PC-24 systems software. Regarding technology development, we took a major step toward gaining approval for innovative processes used in the production of safety-relevant carbon fibre composite components.

The successful handover of the PC-12 NGX was another great achievement by our Engineering team. A lot of work was also carried out to improve systems reliability, especially of the PC-24, and to increase resistance to corrosion. We shall pursue these activities energetically, aiming to provide our customers with even more robust, resistant products which are ready for operation at any time, and in the most challenging conditions.

Maintenance intervals and service life have been extended on the PC-21. Managing and controlling our systems suppliers was a major challenge for us in these difficult times. Nevertheless, exemplary cooperation with the regulatory authorities helped ensure the timely commissioning of new products.

AIRCRAFT ASSEMBLY & MAINTENANCE

The Aircraft Assembly and Maintenance Unit also had to deal with substantial external disruption. Supplies of materials were unreliable at times and the quality was inadequate. Production in pre-assembly and systems integration was briefly halted during lockdown. In the final instance, however, the delivery targets defined in the modified production programme were met.

Maintenance operations delivered the forecasted financial contribution, despite short-time working. Round-the-clock support for Aircraft on Ground (AOG) missions, i.e. when an aircraft is grounded due to technical problems, was successfully maintained.

A noticeable increase in efficiency was achieved thanks to sustainable further development in this Business Unit. Assembly hours alone fell by around ten percent. There were more gains as we moved forward with the digitalisation of a substantial part of assembly instructions, extended control of operations to all areas via shop floor management and intensified process optimisation even further.



Driverless transport system in the structural assembly hall

Inadequate material availability and quality caused handling issues and inefficiencies. Plannability and reliability suffered as a result. The chosen paths for developing this Business Unit in the future have proven successful and will be pursued, bolstered by the positive order situation. The aim is to achieve a further increase in efficiency and value added per unit area through innovative workplace design and workflows. Lean management techniques will continue to mature in the process.

MANUFACTURING

In Production, restrictions in connection with the Corona pandemic were overcome through collaboration, solidarity and mutual support. Over 560 employees and 95 apprentices logged a total of 690,000 production

hours in spite of short-time working. They included some 225,000 machine hours for a total production volume of over 1.5 million components and more than 50,600 production orders.

Procurement handled production orders and raw material purchases worth 60 million Swiss francs. Over 55 percent of the total order volume was placed with Swiss companies.

Production costs were further optimised through targeted projects. Consistent implementation of shop floor management for all management levels, combined with lean projects, delivered continual process improvements.



Despite Covid-19, employees will receive a bonus of up to 1.5 their monthly salary

Such a challenging year was not without its difficulties, too. The pandemic and its repercussions resulted in a decline in throughput rates in PC-24 structural assembly operations. The aircraft paint shop also had to demonstrate its flexibility in coping with increased work pressure.

We aim to achieve a further increase in efficiency in the future, in particular through automation and digitalisation in detail production and structural assembly. We intend to optimise final aircraft livery processes. A qualitative improvement in application accuracy has already been achieved through the use of laser projection for customer-specific paint schemes.

SUPPLY CHAIN & ICT

In Supply Chain & ICT, the year can best be summed up as time-intensive and challenging. Frequent disruptions to supply chains and cancelled freight flights made coordination between forwarders and suppliers very

difficult. Orders necessitated a great deal of clarification and follow-up through to delivery. On-time delivery of goods became the exception rather than the rule. Thanks to good teamwork, but also overarching commitment and dedication in procurement, production was kept supplied with materials and the production schedule was met, despite all adversities. The volume of work completed was – and remains – high. Set-up performance alone increased by a further 20 percent to reach 230 set-up procedures per person per day. This achievement was primarily due to the introduction of various new storage strategies and boxing for the PC-24, which can now be set up in batches of five. The results would not have been so good without excellent cross-departmental cooperation: logistics, procurement and export compliance and international shipping in particular worked ever more closely together during the disruptions to supply chains, whilst cooperation between operational areas was virtually perfect. Swift

reactions and joint weekend operations proved very helpful in coordinating short-time working. In addition, ICT always responded promptly and ensured a stable infrastructure for home office activities.

And that was not all: the ICT strategy was also finalised and released, giving Pilatus a very good basis for the planned digitalisation of the company.

This year, we will take another step towards the future through our declared objective of increasing 'lean orientation' in logistics. It is also important that material continues to be available on the line at the right time. To that end, there must be improvements at supplier level in terms of quality, elimination of delivery deficiencies and enhanced delivery reliability.

QUALITY AND SAFETY

In Quality & Safety, the pandemic outweighed all else. The situation was managed very well with a newly created pandemic plan, a series of protection concepts, and cooperation with a cross-company pandemic team. Pilatus took an early decision to introduce temperature checks on entry to the site. We have efficiently carried out daily body temperature checks on some 2,200 employees since the summer.

Due to the current situation, various projects and work in the areas of quality, environment and occupational safety were only partially completed. For example, implementation of the audit programme, especially at our suppliers, was difficult or only possible to a limited extent due to travel restrictions or pandemic measures. There were numerous quality issues, even among our top suppliers, or there were repeated changes of contact persons, making our work more difficult. We overcame these adversities thanks to good management and a first-class team effort.

EN 9100 and ISO 14001 certifications and all regulatory approvals were maintained. Various improvement projects have been implemented such as establishing a general induction programme including the introduction of e-learning and professional training videos, creation of dashboards, payment blocking on receipt of non-conforming goods, and more. It was encouraging to note a decrease in the number of occupational accidents, as well as various improvements such as fall safeguards and measures to promote safety awareness. Positive feedback from the cantonal authorities with regard to good cooperation and pandemic management at Pilatus was particularly pleasing.





Managing nature

Ants live to be old, very old. The record is held by the queen ant, who can live for up to 30 years. The workers live the shortest lives – about one to two years. But how do ants manage to live for so long? Because they function as a group, working together to protect and help each other. They are even capable of producing substances to prevent the spread of certain bacteria within a colony. They grow fungi in their nests and keep aphids to be “milked” as required, carrying them from one location to another, like livestock.

Ants are landscape designers. Without them, vast stretches of land would be barren and almost devoid of greenery: they loosen the soil with their tunnels, enabling plants to take root more easily. By turning over the soil they also promote the formation of fertile humus. In the tropics in particular, these small insects do the preliminary work for the colonisation of fallow land by plants. In the absence of ants, plants have great difficulty settling and the soil is quickly carried away by downpours.

These industrious insects also contribute to the dispersal of plant seeds. Wood ants, for example, transport the seeds of some 150 plant species. Ants also clean up the forest and remove dead animals. Even more importantly: as predatory animals, they destroy pests in large quantities.

“ Last year, an important contract was signed between the Spanish National Armaments Directorate and Pilatus to replace the Spanish Air Force's former C-101 fleet with the sophisticated PC-21. At the end of 2020, during the roll-out ceremony of the first Spanish PC-21, the Spanish delegation witnessed the excellent work carried out by Pilatus, undoubtedly providing the Spanish Air Force Academy with a state-of-the-art aircraft to fully update its current training system. We look forward to receiving the first units in 2021 and to a continuing customer-contractor relationship which we would qualify as exceptional.

Spanish National Armaments Directorate



HUMAN RESOURCES

SKILLED STAFF IN HIGH DEMAND

The Group-wide headcount fell slightly in 2020 to the equivalent of 2,196 full-time positions worldwide at the end of the year. This decline was a consequence of the changing situation throughout the course of the year. At the start of the year, our main focus was on expanding employee numbers, but this changed completely after the outbreak of the Corona pandemic. Initially, short-time working for the entire workforce was imposed due to supplier shortfalls, followed by a complete staff freeze. As market demand returned to normal and supplier bottlenecks were resolved, the fourth quarter saw the launch of a recruitment drive which placed heavy demands on everyone. Candidates had to be selected from over 1,500 applications, 200 interviews were conducted and more than 72 open positions were filled.

EXCELLENT GRADES

Looking back, there were some notable highlights: in vocational training, for example, the final-year apprentices achieved top marks. Across 36 final exams, the average grade was 5.2. This was a very good result in such difficult circumstances: all 135 apprentices were affected by short-time working and had to stay at home for differing periods. Training took place at home, via digital channels, for some time. 25 of the final-year apprentices stayed on at Pilatus. 43 new apprentices started training with Pilatus in the summer.

We also made progress with digitalisation. All personnel files for active employees were set up as electronic files. We also completed a proof of concept with SuccessFactors, a specialist SAP software solution for HR processes. We additionally converted some courses to online offerings, future language and management courses will be conducted in this way.

CHALLENGES REMAIN

Turnover amongst skilled staff was unchanged and we continued to feel the shortage of specialists at all levels and in all functions. It took more time to fill important positions: this process was, and remains, more difficult than ever. Identifying and fostering employees with potential is increasingly a key task. Enhancing employer attractiveness is equally important in order to attract and retain talented applicants. Fair, performance-based compensation, compatibility of family, leisure and career as well as an attractive working environment and supportive line managers all play a part in this. Pilatus enjoys a good reputation as a reliable employer that can offer good prospects, exciting jobs and secure employment, as we have proven in this period of Corona. In addition, all employees in Stans have once again received a bonus equivalent of up to 1.5 month's salary – an excellent overall salary package, especially in such difficult times.

A DOWNWARD OUTLIER

AIRPORT-BUOCHS AG (ABAG) looks back on an operating year in which the Corona pandemic left clear traces. There was a marked decline in the number of flight movements. Owned half by canton Nidwalden and half by Pilatus Aircraft Ltd, ABAG recorded a drop of 17 percent compared to the previous year. Only the figures relating to the air force increased by 18 percent to 1,077 movements. Without this welcome upward exception, the overall decrease would have been as much as 20 percent.

STANDSTILL IN MARCH AND APRIL

A close look at the figures reveals a significant drop in flight operations from 13,945 movements in 2019 to 11,549 in 2020. Statistically, a flight movement is defined as one take-off or one landing. At 4,000 movements compared to 5,690 in the previous year, there was a sharp drop in the number of Pilatus flight movements in particular. The Nidwalden gliding group and various customers of AIRPORT BUOCHS AG all recorded fewer flight movements as well. The data reflects the restricted flight operations in March and April, when flights to or from abroad were only possible

in exceptional cases. Nevertheless, the Corona-related loss of earnings was mitigated in part thanks to enormous, flexible efforts, great cost awareness and cost-cutting measures. The team worked hand-in-hand and extremely reliably, even in these extraordinary circumstances.

WAITING FOR THE FOCA

The accident-free year, in which – fortunately – no Corona staff absences were recorded, will certainly go down as a very notable one: 22 percent fewer flight movements than the long-term average speaks for itself. The special circumstances also led to delays in the land conversion project and the infrastructure renewal of ABAG. The ruling in the conversion dossier is still pending, but is expected during the first half of 2021. We shall continue the planning work for the infrastructure renewal and intend to be able to complete it in the first quarter of 2022. Although financing of air traffic control operations, up to and including 2023, has been secured by the Swiss Federal Office of Civil Aviation (FOCA), a long-term solution has yet to be found.

FLIGHT MOVEMENTS AIRPORT BUOCHS	2016	2017	2018	2019	2020
Pilatus Aircraft Ltd	5,472	8,190	7,719	5,690	4,000
Airport Buochs Ltd	4,115	4,353	4,180	4,150	3,660
Nidwalden Gliding Club	3,394	3,734	3,307	3,191	2,812
Swiss Air Force	1,111	1,844	928	914	1,077
Total	14,092	18,121	16,134	13,945	11,549



46°58'39"N | 8°24'24"E



One for all, all for one

We humans have much to learn from the decentralised collective work performed by ants. This type of organisation makes them resilient in the face of destructive events. There is no central command telling each ant what to do. The approximately 15,000 species of ants identified worldwide organise themselves and behave in such a way that if some of the ants disappear due to external influences, others spontaneously reconstruct the trail and carry on the task of foraging. When the task is too difficult, the ants cooperate. They form bridges together to overcome obstacles and ensure the ant trail can continue uninterrupted.

Years ago, a team of ant researchers discovered a giant state with millions of nests stretching from Italy through France and Spain right down to Portugal – more than 6,000 kilometres in total. Most extraordinary of all, unity and peace reigned amongst all the ants. Interestingly, when an ant from Italy was introduced into a Spanish nest it was adopted without further ado and continued to do its work there without ifs or buts.

Whereas some ants join forces to form super colonies, others wage war on each other with massive losses. Slave-keeping ants regularly attack colonies of other ant species to rob larvae and pupae – future slaves, destined to perform all the work in the foreign nest. With cunning tricks and strategy, ants gain an evolutionary advantage for their tribe, which in turn assures the survival of all. In addition to their titanic physical powers, ants have yet another unbeatable ability: a capacity to work together more efficiently than any other creatures in the world.



FACTS AND FIGURES

PILATUS GROUP

KEY INDICATORS FOR THE PILATUS GROUP	2016	2017	2018	2019	2020
Total Sales (CHF million)	821	986	1,092	1,170	1,116
Aircraft in Net Sales	117	115	128	134	129
Orders Received (CHF million)	1,087	1,422	1,015	1,132	836
Order Book Value (CHF million)	1,744	2,167	2,089	2,037	1,704
EBIT (CHF million)	89	135	157	153	155
EBIT as % of Sales	10.8	13.7	14.3	13.1	13.9
Cash Flow (net profit plus depreciation, CHF million)	95	133	156	165	153
Cash Flow as % of Sales	11.6	13.5	14.2	14.1	13.7
Investments in Fixed Assets (CHF million)	49	54	61	26	20
Investments in R&D (CHF million)	101	107	51	50	54
EBIT before R&D (CHF million)	190	242	208	203	209
EBIT before R&D as % of Sales	23.1	24.5	19.0	17.4	18.7
Net Assets (CHF million)	398	534	606	579	639
Inventories (CHF million)	485	647	479	495	475
Customer Advances (CHF million)	204	238	256	219	118
Number of Full-time Equivalents	1,961	2,113	2,283	2,289	2,196
BALANCE SHEET EXTRACT	2016	2017	2018	2019	2020
Current Assets (CHF million)	1,259	1,255	1,290	1,318	1,251
Long-term Assets (CHF million)	214	349	419	453	428
Total Assets (CHF million)	1,473	1,604	1,709	1,771	1,679
Liabilities (CHF million)	520	541	599	571	420
Equity (CHF million)	953	1,063	1,110	1,200	1,259
Total Liabilities and Equity (CHF million)	1,473	1,604	1,709	1,771	1,679
Equity Ratio in %	64.7	66.3	65.0	67.8	75.0

	2019		2020	
TOTAL SALES	%	CHFm	%	CHFm
Pilatus Aircraft Ltd, Stans, Switzerland ¹	57.5	672.7	57.1	637.3
Pilatus Business Aircraft Ltd, Broomfield, USA	38.9	454.6	40.2	449.1
Pilatus Australia Pty Ltd, Adelaide, Australia	3.6	42.7	2.7	29.4
Total	100.0	1,170.0	100.0	1,115.8

¹ Consolidated via Pilatus Stans

US dollar exchange rates 2020: 0.9389 / 2019: 0.9937

Australian dollar exchange rates 2020: 0.6471 / 2019: 0.6911

SALES BY REGION	%	CHFm	%	CHFm
The Americas	39.0	457.5	40.5	452.4
Europe	24.5	286.3	38.3	427.1
Asia	17.9	208.9	13.5	151.0
Australia	16.5	192.5	6.2	68.8
Africa	2.1	24.8	1.5	16.5
Total	100.0	1,170.0	100.0	1,115.8

SALES BY BUSINESS UNIT	%	CHFm	%	CHFm
General Aviation	71.5	836.3	74.7	833.5
Government Aviation (Trainer)	28.5	333.7	25.3	282.3
Total	100.0	1,170.0	100.0	1,115.8

AIRCRAFT IN NET SALES²	Number of aircraft	Number of aircraft
PC-12	83	82
PC-24	40	41
PC-21	11	6
Total	134	129

² Delivered aircraft and accrued aircraft based on the PoC method (PoC = Percentage of Completion; net sales of trainer is considered based on the production progress)

FACTS AND FIGURES

		2019		2020	
EMPLOYEES BY BUSINESS UNIT	%	Employees	%	Employees	
General Aviation	71.7	1,642	74.3	1,632	
Government Aviation	28.3	647	25.7	564	
Total	100.0	2,289	100.0	2,196	

EMPLOYEES BY FUNCTION	%	Employees	%	Employees	
Production	54.3	1,243	54.9	1,206	
Sales and Services	16.3	373	15.8	348	
Development	15.0	343	14.1	310	
Logistics (incl. ICT)	9.2	210	9.7	212	
Administration	5.2	120	5.5	120	
Total	100.0	2,289	100.0	2,196	

EMPLOYEES BY COMPANY	%	Employees	%	Employees	
Pilatus Aircraft Ltd, Stans, Switzerland	92.7	2,123	92.1	2,022	
Pilatus Business Aircraft Ltd, Broomfield, USA	5.2	120	5.5	120	
Pilatus Defence Solutions Pty Ltd, Sale, Australia	1.4	31	1.7	38	
Pilatus Australia Pty Ltd, Adelaide, Australia	0.7	15	0.7	16	
Total	100.0	2,289	100.0	2,196	

PILATUS ORGANISATION

MANAGEMENT



MANAGEMENT DER PILATUS FLUGZEUGWERKE AG

1	Markus Bucher	CEO
2	Bruno Cervia	VP Research & Development, Deputy CEO
3	Ignaz Gretener	VP General Aviation
4	André Zimmermann	VP Government Aviation

5	Daniel Geiser	VP Aircraft Assembly & MRO
6	Roger Hess	VP Supply Chain & ICT
7	Thomas Ochsenbein	VP Business Support & CFO
8	Roman Emmenegger	VP Manufacturing



30°13'31"N | 78°6'57"W

PILATUS ORGANISATION

BOARD OF DIRECTORS



BOARD OF DIRECTORS OF PILATUS AIRCRAFT LTD

1	Oscar J. Schwenk	Chairman
2	Gratian Anda	Vice Chairman
3	Dominik Burkart	Member
4	Hansueli Loosli	Member (since August 2020)
5	Lukas Gähwiler	Member (since August 2020)

SUBSIDIARIES

PILATUS BUSINESS AIRCRAFT LTD, BROOMFIELD, USA

Oscar J. Schwenk	Chairman
Thomas Bosshard	CEO

PILATUS AUSTRALIA PTY LTD, ADELAIDE, AUSTRALIA

Oscar J. Schwenk	Chairman
Sebastian Lip	CEO

PILATUS DEFENCE SOLUTIONS PTY LTD, SALE, AUSTRALIA

Oscar J. Schwenk	Chairman
Jennifer Marshall	CEO

2020

HIGHLIGHTS



DECEMBER

- **195th issue** of **Pilatus Post** is published
- **First PC-21** of the **Spanish Air Force** takes to the skies
- **100th PC-24** is delivered

NOVEMBER

- **PC-12 NGX simulator** for pilot training is **certified**
- **Tag Maintenance Services** appointed an **Authorised Service Centre**

SEPTEMBER

- **Irish Air Corps** takes delivery of **three PC-12 Spectres**

AUGUST

- Pilatus **reinforces Board of Directors** with two **top Swiss entrepreneurs**
- Double delivery: **Jetfly** receives its **5th PC-24** and **1st PC-12 NGX**
- **Customer Service Award** goes to Pilatus for the **19th time** in a row

JULY

- Successful **maiden flight** of the **Swedish medevac PC-24**

MAY

- **Pilatus** hands over the **first PC-12 NGXs**

APRIL

- **North Slope Borough** receives **medevac PC-24**
- **First PC-12 NGX** flies in **Europe**

FEBRUARY

- The **PC-24** is **certified** for all **unpaved runways**

JANUARY

- The **Spanish Air Force** acquires **24 PC-21s**

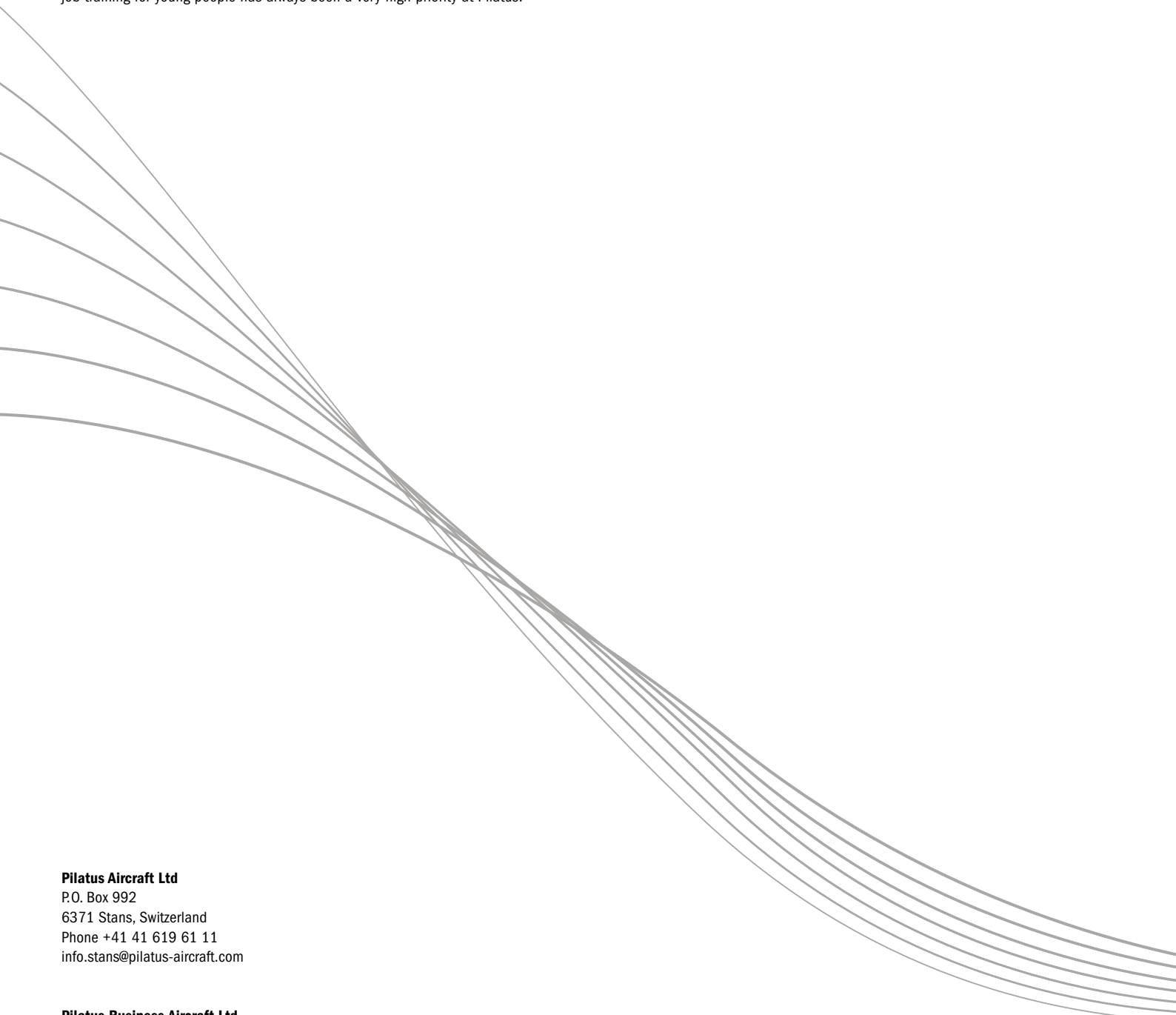
“ Our flight department deploys a number of different assets to suit specific missions. We were introduced to the Pilatus PC-24 by Pro Star, an Authorised Pilatus Sales Centre, and we immediately recognised the potential for this airplane to be a valuable addition to our fleet. The combination of operating economics, reconfigurable cabin and large cargo door make this airplane an excellent and much appreciated tool.

Scott Armstrong, Allen & Company



43°54'30"N | 115°56'32"W

Founded in 1939, Pilatus Aircraft Ltd is the only Swiss company to develop, produce and sell aircraft to customers around the world: from the legendary Pilatus Porter PC-6 to the best-selling single-engine turboprop in its class, the PC-12, and the PC-21, the training system of the future. The latest aircraft is the PC-24 - the world's first ever business jet for use on short unprepared runways. Domiciled in Stans, the company is certified to ISO 14001 in recognition of its efforts for the environment. The Pilatus Group includes two independent subsidiaries in Broomfield (Colorado, USA) and Adelaide (Australia). With over 2,000 employees at its headquarters, Pilatus is one of the largest employers in Central Switzerland. Pilatus provides training for about 130 apprentices in 13 different professions - job training for young people has always been a very high priority at Pilatus.



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