Agenda

- Business Situation and Supply Chain Challenges
- Procurement Transformation
- Transformation of the Supply Base
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...at a glance: €59 bn. revenues, 144,000 employees

€40 bn. revenues
79,000 employees
Airbus Group Procurement

Sourcing Turnover is more than 2/3 of Sales

Sourcing Turnover 2/3 by Airbus

- **Airbus Military**: 1.3 Bn€ (3%)
- **Astrium**: 3.0 Bn€ (7%)
- **Eurocopter**: 3.7 Bn€ (9%)
- **Cassidian**: 3.1 Bn€ (7%)
- **Other BUs**: 3.2 Bn€ (8%)
- **HQs**: 0.5 Bn€ (1%)

**Total Revenues**: 42.3 Bn€

**Total Sourcing Turnover**: 59.3 Bn€

**Sourcing Turnover as a Percentage of Sales**: 59.3%
Airbus product portfolio and headline figures

**A320 family**
A take-off or landing every 2.5 seconds,
Over 7 billion passengers carried since EIS ‘88

**A330 family**
A take-off or landing every 25 seconds,
More than 800 A330s sold since 787 launch

**A350 XWB**
First flight mid 2013
Over 600 firm orders from 35 customers

**A380**
Takes-off or lands approx. every 6.5 minutes
125 flights per day and 1.5 million pax per month

The world flies Airbus Aircraft

- 14,520 sold
- 8,608 delivered
- 7,912 in operation
- 401 operators
- 25,000 daily flights

End July 2014

EIS – Entry into Service
Air travel remains a growth market

Air traffic has doubled every 15 years

Air traffic will double in the next 15 years

20-year world annual traffic growth
4.7%

Source: ICAO, Airbus

RPK – Revenue passenger kilometers
14,500 Airbus orders, over 8,600 deliveries

Airbus orders and deliveries

- 1970: Airbus founded
- 2010: 10,000 orders
- 2013
  - 1,619 new aircraft orders
  - 626 deliveries

At end July, 2014
Challenges

Business Growth

• Overall production rates
• Ramp-up A350
• Transition A320 neo/neo
• Globalization

Industrialization

• Robustness
• Competitiveness
• Globalisation
• Innovation
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Procurement organizational set-up

Airbus Procurement

Contracting domain
- P Strategy
- Compliance
- A350XWB Procurement
- Series Programmes Procurement

Operational domain
- Aerostructure
- Material & Parts
- Equipment & Sys.
- Cabin
- Propulsion Sys.

Procurement Operations

Dedicated Procurement governance and support functions
- Overall responsibility for business with suppliers (TCO)

Gen. Procurement
- Quality Procurement
- Finance
- HR

Cross-functional/division. activities & links
- End-to-end supply chain operations management

October 2014

HAL Executives
The MFT is a cornerstone of the P organization

“Multi-functional team” (MFT):

- Aligned purchasing policies
- Cost optimization
- Improved supplier reliability
- Responsiveness to customers
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Consolidate the Supply Chain: Bigger & Fewer

**Past**
- Many direct partners
- No real role for “integrators”
- Design to print of parts and sub-assemblies

**Today**
- Fewer, but still many direct partners
- Limited role for “integrators”

**The “New Airbus”**
- Far **fewer large direct risk sharing partners** with whom to build strong ties and who can share capital expenditure, development costs and risk
- A real **global extended enterprise**
- Extensive role for “integrators”
- Design to functional specifications of **large main components or sub-assemblies**

**Platforms**
- Platform Assembly
- Large-scale Integration
- Value-added Parts and Assemblies
- Make-to-print Parts and Assemblies
- Raw Materials

**Airbus**

**System Integrators**
- TIER 1
- RSP
Challenges for the Supply Chain: Short-term
Route to EIS / Ramp-up

- Ramp-up gates to be secured (supply chain!)
- Rate readiness assessments
- Transformation plans, JIP’s

Cost convergence

- Joint Airbus / supplier initiatives
- Technical optimization (DtC), supply chain improvements

A350 global rate

RC cost-down project: Supply Chain contribution!
A320 CEO/NEO transition

A320 Family ramp-up evolution (rate)

“Legacy” A320 ramp-up (25 years)

1st A320

1st A319

1st A318

1st A321

A320neo ramp-up (30 months)


Rate

2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44

A320 CEO – classic engine option
A320 neo – new engine option
Mid /long term challenges for the supply chain?

- Volume increase
- Innovation
- Globalisation
Structural evolution of the aviation industry

illustrative

Airbus 1990

x10

Airbus 2020

Middle size company (strong 1st line)
Requirements for 1st tier suppliers

from...

- Regional
- Small size
  - companies
  - contracts/volumes
- Extended workbench
- “Defence legacy”

to...

- Global
- Critical mass
  - companies
  - contracts
- Work package approach
- “Commercial/industrial orientation”
**Mission**

“Enable Supply Chain Operations Excellence, by providing the supply base with the right improvement framework (skills, methods and tools) to eradicate problems and increase performance in a sustainable manner”

**Worldwide Supply chain visibility and Reactivity to support a Global Supply Chain**

**2012 - Contain / Control**

**2013 - Control / Develop**

**2014 - Develop / Excel**

**2015 - ………2020**

**Supplier Development Vision:**

From Correction to Anticipation

**Performance**

OTD / On Quality / COST and Increased Supply Base Maturity
Supply chain Progress towards Aeronautical Community Excellence

An innovative approach to share supplier development resources and to:

SPACE in a nutshell:

• Non-profit industrial association to further develop industrial performance of aerospace lower tier suppliers
• Managed by approx. 15 aerospace primes. These primes send experts for supplier development to common sub tiers
• Promotes a common tool set for supplier development projects
• Shares resources for development of common suppliers among members
• Founded in 2007

Hundred+ companies are currently involved in improvement projects

www.space-aero.org
Optimizing supply base and cost

- **Vertical integration** (materials)
- Single Aisle aerostructure double sourcing
- **Cabin strategy** (BFE-to-SFE/ACS)
Balance between shorter- and longer-term activities

- **Derivatives**
  - Efficiency
  - 2010

- **New concepts**

- **Disruptive Technologies**
  - (improvement and new needs answer)

- **Incremental Innovation**
  - (improvement of cost and efficiency)

- **2050**
Focus areas of supply chain innovation contributions

- **Fuel Burn Savings**, e.g.
  - eTaxi
  - Fuel cell
  - Next generation engines

- **Flexible Cabin**
  - Passenger density
  - Comfort
  - In-flight services/connectivity

- **Business System Evolution**
  *(eg. end-to-end total maintenance packages)*
Airbus regional spend profile

Global Sourcing Drivers

- Market Access
- Supply Chain Strategy
- Value for cost
- Currency hedging
- Country Risk Management

Global Sourcing Evolution

- RoW
- + > 500%
- + 100%
- + 50%

Global Sourcing Evolution

- Value
- for cost

Currency hedging

Global Sourcing

October 2014

HAL Executives
Airbus order backlog end 2013

North America 12% - 20%
Latin America 7% - 8%
Lessors 17%
Europe & CIS 18% - 24%
Middle East 10% - 7%
Africa 1% - 3%
Asia Pacific 34% - 38%
Thank you for your attention!