

# Safran supply chain challenges and opportunities

/ AEROMART Tianjin /  
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André ABALLEA  
China International Purchasing Office Manager

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## Safran at a glance

# SAFRAN AT A GLANCE

\*As of December 31, 2014

- An international **high technology** group
- Revenue of **15.4 billion euros**
- **69,000 employees** in more than 50 countries
- 3 core businesses:

Aerospace

Defence

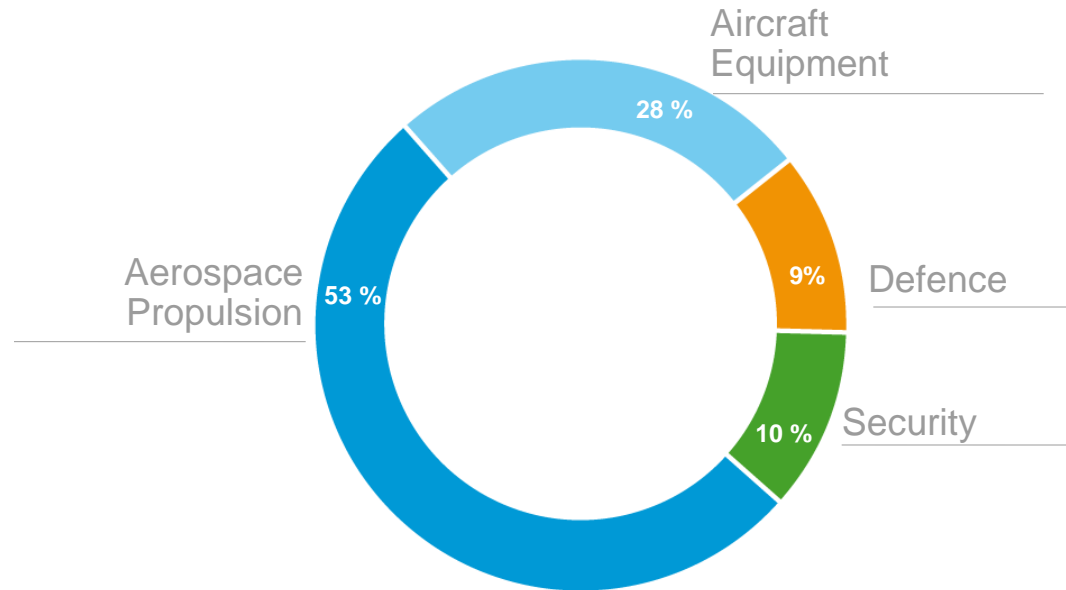
Security

# SAFRAN COMPANIES



# KEY FIGURES

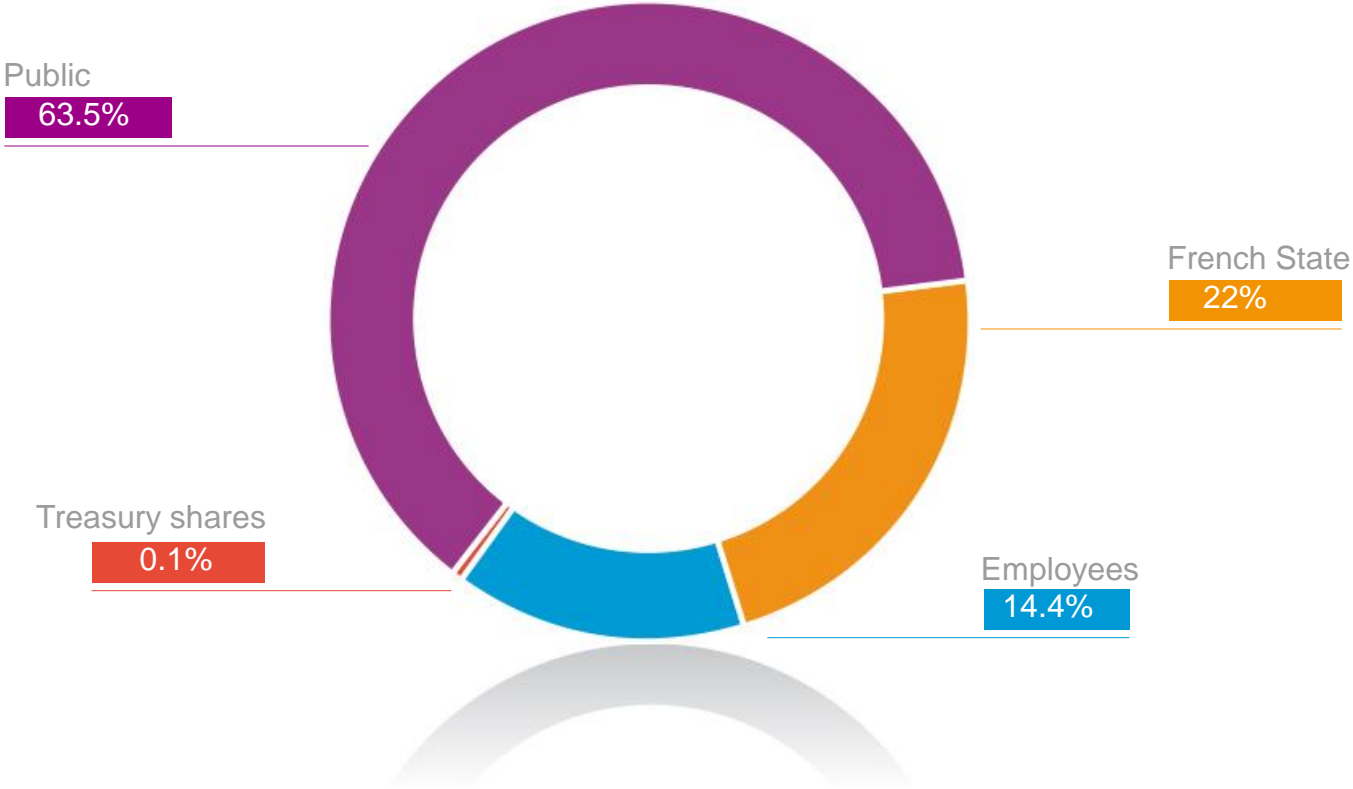
Revenue breakdown by activity, as of December 31, 2014



- Revenue: **15.4 billion euros**
- Recurring operating income: **2.1 billion euros**
- Net income - Group share: **1.2 billion euros**

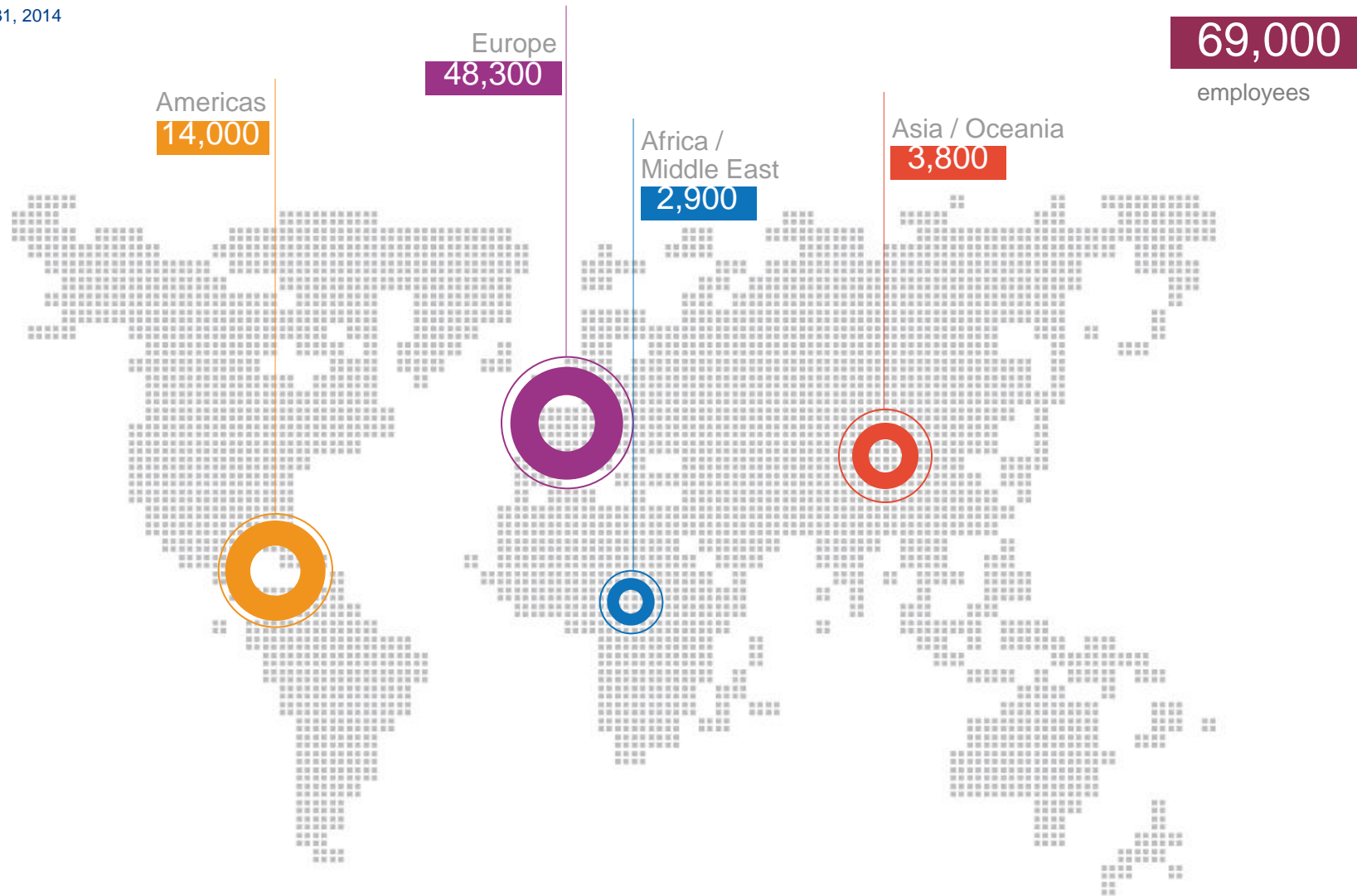
# CAPITAL SHAREHOLDING

As of December 31, 2014



# SAFRAN WORLDWIDE

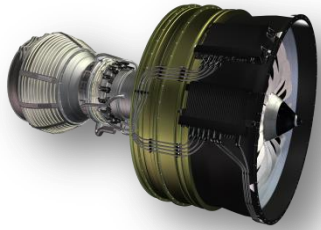
As of December 31, 2014



# TIER ONE SUPPLIER IN AEROSPACE, DEFENCE & SECURITY

## AEROSPACE

### Propulsion



Aircraft engines



Helicopter turbine engines



Space engines

### Equipment



Landing gears, brakes



Nacelles



Wiring

### Defense



Optronics



Avionics



Electronics



Identification



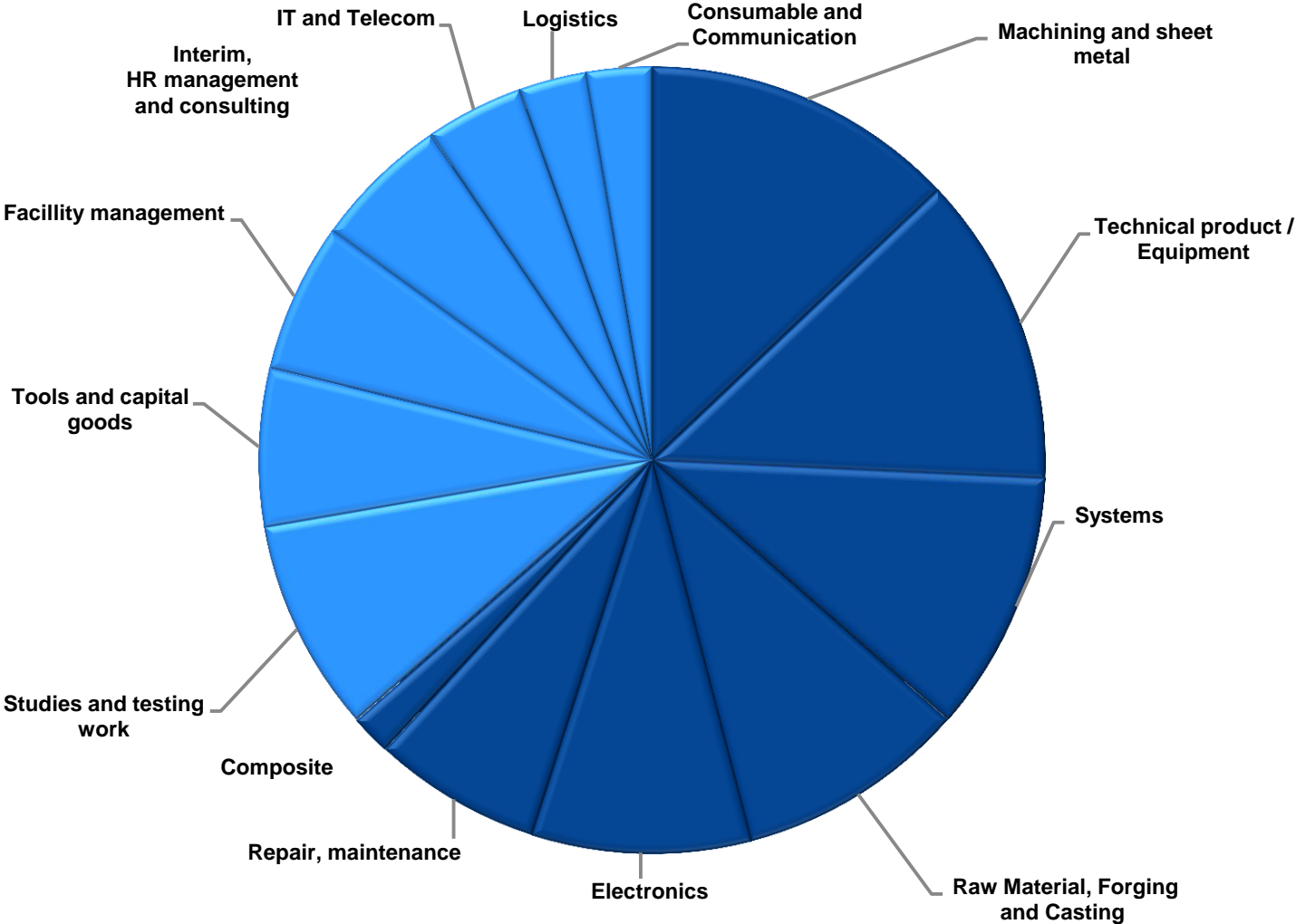
E-Documents



Detection



# SPENDS REFERENCES - WHAT ARE WE BUYING ?



**Purchases 2014**

**Production Purchasing 65%**  
**Indirect purchasing 35%**

**/02/**

# Safran development : assets and challenges

# SAFRAN BUSINESS AND TREND : STRONG ASSETS...

## Aircraft engine

CFM56 / Leap : 7 years

backlog

New range : Sam 146 and

Silvercrest

## Helicopter engines

Arriel turboshafts

Arano

RTM322

## Equipment

LPS : Global electric power  
chain

Carbon brakes

Landing gears

Nacelles ...

## Space

Vinci cryogenic rocket  
engine

Solid rocket engines

# ... ON TOP OF NEW PROGRAMS, SAFRAN IS TAKING INTO ACCOUNT ...

**China ambition in aircrafts and engines: ARJ21... but also C919, MA700, ... and engine CJ1000A**



**New regulation and technical constraints which suppliers also need to cope with: Reach, environment, export control, conflict minerals, ...**

**/03/**

**Catch the opportunity : competitiveness  
and innovation in the supply chain**

# SAFRAN IS REINFORCING ITS COMPETITIVENESS

→ Modernize  
group management

→ Integrate  
new methodologies  
in our culture

→ Continuously improve  
our industrial processes

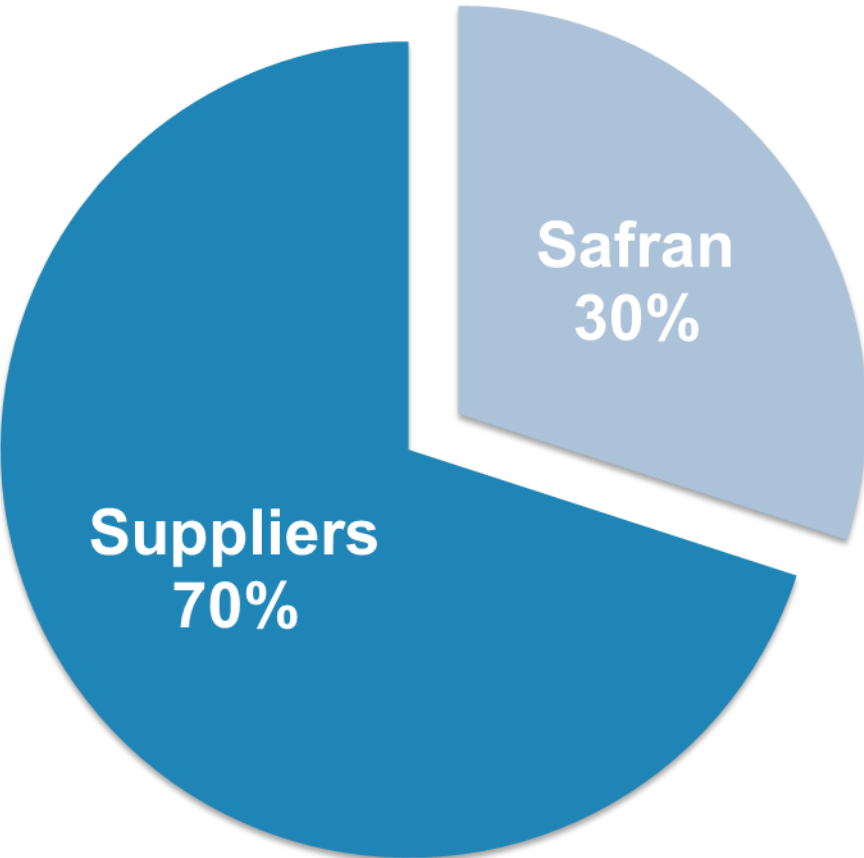
→ Control  
our overhead costs

→ Huge efforts to develop innovative products

→ Programs to improve research and development efficiency and reduce recurring costs as requested by our customers

→ New services to guarantee the operations continuity of our customers and reduce their costs

# SUPPLIERS CONTRIBUTION EQUALS 70% OF THE VALUE OF OUR PRODUCTS

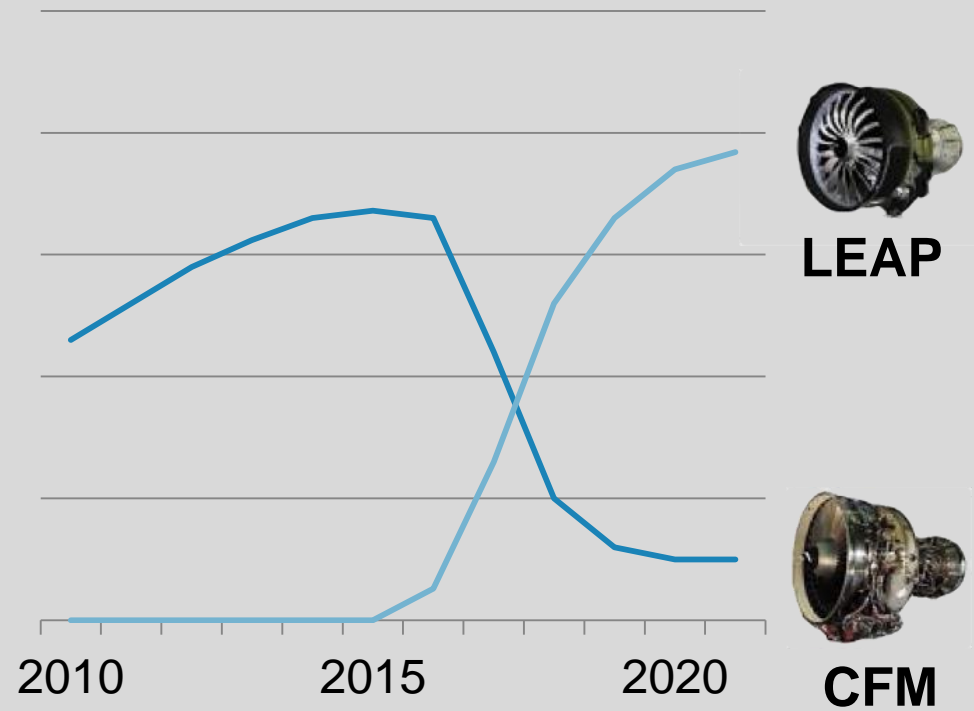


# OUR SUPPLY CHAIN MUST BE UP TO THE CHALLENGE

## Secure the current ramp-up

- 30000 new planes until 2030
- Average growth: 5% per year

## Transition to new products at full speed





# OUR SUPPLIERS NEED TO REINFORCE THEIR OPERATIONAL PERFORMANCE

## OTD < 80%

- Insufficient planning
- Management of sub tiers
- Documentation cycles too long
- Communication

## Quality > 1000ppm

- Industrial validation
- Test coverage
- Errors in documentation
- Cosmetic problems

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# Pre-requisites for a SAFRAN qualification

# PRE-REQUISITES (1)

## → Strategic convergence and stability

- Quality of management team
- Strategy based on long term industrial vision
- Quality, cost, delivery performance
- Financial health and investment capacity
- Balanced business relation

## → Long term Contractual relationships


- Business needs stability : Prices and Terms and conditions have to be long terms ones
- Aerospace business is a US\$ market

## → Industrial convergence

- Integrated added-value supply chain
- Structuring actions to develop and keep high operational performances
- Ability to manage supply chain
- In line with Safran international development

# PRE-REQUISITES (2)

## → Identification and Pre-evaluation form

 <b>SAFRAN</b> Sagem		<b>IDENTIFICATION AND PREEVALUATION FORM</b>	Sheet: 1/2																
Purchasing Manager:		PIP Nb: 2014-DA-SDS-FIP-0056	Date:																
Company Name:		Safran Number:																	
Foundation Date:		Address:																	
<table border="0"> <tr> <td colspan="2">Capital</td> <td colspan="2">Staking out:</td> </tr> <tr> <td>Amount:</td> <td></td> <td>Management</td> <td>% Staff</td> </tr> <tr> <td>% listed on the stock exchange:</td> <td>%</td> <td>External Companies</td> <td>% Public</td> </tr> <tr> <td></td> <td></td> <td>Division Funds</td> <td>% Other</td> </tr> </table>				Capital		Staking out:		Amount:		Management	% Staff	% listed on the stock exchange:	%	External Companies	% Public			Division Funds	% Other
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## → SRA (Supplier Risk Analysis)

- Management & Finance
- Technical and Industrial capabilities
- Logistics and supply chain
- Quality and continuous improvement
- Competitiveness
- Relation with Safran

## → Conformity to GRP 0087

## → DVI (Industrial Validation File)

2- TECHNICAL & INDUSTRIAL CAPABILITIES		
<b>Technical skills</b>		
Q19	FOR PRODUCTION FACILITIES -  What are the supplier's machine age range, maintenance policy and	To evaluate the level of supplier's reliability to continuous production:  > <b>TPM: Total Productive Maintenance</b> , is a system that involves operators, manufacturing engineers and product/process development in maintenance issues as well as maintenance
4- QUALITY & CONTINUOUS IMPROVEMENT		
<b>Quality and Continuous Improvement</b>		
Quality system		
Q50	<b>PRODUCTION COMMODITY ONLY</b> What certification does the supplier have? (Aerospace Approval certification)	Does the supplier have any of the following certification : Aerospace Approval certification AS/EN91xx AS/EN9100 (Aerospace Quality Management System), AS/EN9120 (Aerospace Distributor/Retailers), AS/EN9110 (Aerospace Maintenance), NADCAP for Special Processes, EASA-Part21, Non-Aerospace Approval ISO 9001:2000 ?

 <b>SAFRAN</b> AEROSPACE - DEFENCE - SECURITY		Customer company:		
Information on the Industrial Validation Document (DVI)				
1. Part Number:	2. Part Name:	3. Program name:	4. DVI Number:	5. Rev:
6. Part Revision Level:	7. Drawing number:	8. Drawing revision level:	9. Additional changes:	
10. Part Classification:	11. Organization Name:	12. Supplier Code:	13. Purchase Order N°:	

# Conclusion

# WORKING TOGETHER FOR HIGHER EFFECTIVENESS

**Air, defense and security will grow during the next 20 years**

**A few parameters that we cannot influence could invert the trend : conflicts, oil price, global growth slowdown, ...**

**But we can fuel that growth by improving the competitiveness of the supply chain and bringing innovation**

**Suppliers account for 70% of the value of our products, your contribution is essential to enjoy together continued growth and profitability**