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Taufkirchen, 09.04.2010

**Visit at EADS General Procurement
Actual Status Philotech/PhiloNet
Official Kick-off PhiloNet at ILA ISC**

Dear PhiloNet-Partner,

Let me take this opportunity to provide you with a brief update on our efforts of building up PhiloNet, our powerful network of complementary national, transnational and off-shore partners.

The actual cause for this News Flash is a visit at EADS General Procurement (Olivier Dumas and Mark Walker) in Toulouse conducted 15 March 2010 where we had a chance to present the status of our PhiloNet activities and also discuss several important issues to receive more RfPs.

1. The following aspects of our **Philotech strategy** were highlighted to EADS EGP:
 - Grow business from existing relationships, transfer competences, "lessons learnt" and best practices from one Business Unit / EADS Site to others (Idea: Develop innovative concepts for Engineering Services)
 - Setup national and international subsidiaries and offices close to EADS/Airbus sites (2009/10: Toulouse, Manching)
 - Extension of current national and international subsidiaries like Philotech Hamburg / Bremen, Test Center Cottbus, Philotech Iberica





- Strategic development of PhiloNet (EADS requirements, focus and qualify on EADS fields of competences, coverage of various regions, support of higher volume work packages)
- Growth outside of EADS by transfer of aviation expertise into other business areas (rail, measurement, automation, medical), ensure return of experience and best practices)
- Globalization by integrating Off-shore/near-shore engineering services partners
- Extend capability to execute transnational projects by utilizing current *Philotech*-sites + *PhiloNet*/ subsidiaries
- Strengthen management competence for complex, multi-site, transnational projects
- Establish full range of engineering services, coverage of full life-cycle with *Philotech/PhiloNet*
- Maintain lean organization (small overhead, automation/standardization of methods and processes)
- Leverage cost advantages of near shore (Cottbus, South East Europe, Partner subsidiaries in Poland, Romania etc), and off shore activities (e.g. India)

In line with these strategic targets the achievements competence of cluster *PhiloNet* were demonstrated, like:

- ✓ About 30 national and international companies declared membership to *PhiloNet*
- ✓ MoUs with several French, Spanish and Indian companies
- ✓ Subcontractor frame contracts prepared
- ✓ Several work package agreements subcontracted (EADS-DE, DS, DCS and MAS)
- ✓ Adapted internal processes and added organizational elements like:
 - RfP/Offer Management
 - Subcontracting Management
 - Quality Management
 - Risk Management and Controlling etc.

Over all *PhiloNet* today has a potential of about 4000 employees with experience in aerospace engineering services.

Besides the accentuation of our common great efforts we highlighted the business situation with EADS.

In the past Airbus General Procurement was strongly encouraging *Philotech* to extend their portfolio as well as their international capacities significantly and to establish or extend their international subsidiaries to maintain the E2S status and to be in a position to accept more and larger contracts.



The status of receiving RfPs can be summarized as follows:

Status EADS-DS (MAS, DE, DCS):

- A considerable amount of RfPs have been received resulting in an increase of turnover and a further increase will be realized within this year.

Status Airbus:

- Only very few RfPs have been received by *Philotech* to date
- Even in areas of key competences *Philotech* had to offer again via the previous prime, as Airbus branches were not willing to include *Philotech* on the respective short list, even if most of the activities will be conducted by *Philotech*.

Status Astrium, ECD, EADS Business Units in France/Spain: etc.:

- Nearly **no RfP** has been received by *Philotech* to date.
- Same situation concerning short lists as with Airbus
- Several companies (especially in France) still receive direct contracts without being E2S Supplier.

EADS General Procurement accepted our complaints in respect to not being listed on Short Lists and offered their support for making sure that *Philotech* will get onto dedicated short lists by justifying a very high level of competences within the *PhiloNet* network. For this reason *Philotech* will be invited by EGP subdivision leaders within the next weeks to demonstrate and justify our expertise in those fields of competences.

The first two meetings we will focus on areas like „Design to build“ for avionics and electrical systems, V&V for Systems and SW, Support Engineering and structural design. If support in preparing those meetings from our partners will be required, we will inform you in time. Actual reference projects you conducted successfully may be required to support this important step.

The feed-back we received from Mr Dumas and Mr Walker on our presentation was very positive, it was acknowledged that *Philotech* has shown significant improvement and it was confirmed that we are on the right track to maintain our E2S status. This year E2S Supplier List Review process is launched last week and the decisions are expected to being forwarded in June.

We at *Philotech* are convinced that after this meeting we can be very optimistic to maintain our E2S status also after 2011, certainly we will have to prove in the meanwhile that our network is effective and that our offers will win against our competitors for the benefit of all of us.

PHILONET NEWSFLASH



München - Hamburg - Cottbus - Madrid



At the ILA ISC Philotech will held the first annual PhiloNet meeting. From our point of view the ILA exhibition is the appropriate frame for an official PhiloNet Kick-off. In this context Philotech would like to use the opportunity to introduce PhiloNet to important costumers. For a more detailed briefing you will receive the invitation to our PhiloNet meeting very soon.

I'm looking forward meeting you over there.

Volker Schulz
Partner Manager

