

Attention: Alex K. Schrader
Sourcing – Major Assemblies
Spirit AeroSystems Inc

Copy: A&D: P.Regas, A. Ross, J.Corato
Spirit: W.Crossman, L.Miller, D.Casteel, B.Wilkinson, M.Capperault

Subject: Response to your letter ref: 3-2987-01120-8003 dated from 11th November 2020

Pamiers, 30th November 2020

References:

- Agreements:
 - Master Procurement Agreement MPA 1-CP
 - Supplemental Procurement Provisions #4600005236
- Communication log:
 - MKAD announcement letter - 24th September 2020
 - A&D / Spirit management meeting - 28th October 2020
 - Spirit letter ref: 3-2987-01120-8003 dated from 11th November 2020
 - Email chain "new PLN01 vs PLN04" from 20th July 2020 to 15th October 2020
 - Spirit response to RFA #66786 from 29th October 2020.
 - A&D Letter "Cancellation requirement for Airbus A350-900 Door frames parts PLN01" from 23rd July 2020

Dear Sir,

We acknowledge receipt of your letter of November 11, 2020 as a follow up to our meeting on Oct. 28, 2020. We take good note of your notification that Spirit intend to transition the Passenger Floor Edge Frames from titanium to a composite material system, and we are grateful that such a transition is intended to be made with the consultation of Aubert & Duval. We are ready work on a collaborative manner with Spirit for this purpose, in the context of the potential MKAD closure. You will find hereafter our answers to your queries, and a proposal for a smooth transition at the end of this letter

Detailed flows through the entire manufacturing process

To summarize the situation and as requested in your letter please find below the chart detailing the status of the current flows through the entire manufacturing process (your sub-queries a, b, c and d are included in the table below).

	Program	Spirit Needs		Aubert And Duval WIP						
		Actual POs Nov 20th	Forecast letter Nov 11th	Parts			Forgings		Raw Material	
				Inventory	WIP machining	Quality stop	inventory	WIP	Onsite qty	Ordered
Qty	Qty	Qty	Qty	Qty	Qty	Qty	Qty	Qty	Qty	
V53322900212-PLN01	A350-900	76	20	18	9	1	16	32	31	288
V53322900213-PLN01		104	20	5	16	4				
V53322910212-PLN01		96	20	18	12	0				
V53322910213-PLN01		68	20	19	4	1				
V53322900212-PLN02		12	40	0	12	0				
V53322900213-PLN02		12	40	0	12	0				
V53322910212-PLN02		12	40	0	12	0				
V53322910213-PLN02		12	40	0	12	0				
V533 28016 200-PLN03	A350-1000	12	11	15		8	50	0	0	0
V533 28016 204-PLN03		15	16	8	4	4				
V533 28018 208-PLN03		8	3	8		2				
V533 28018 210-PLN03		8	12	0	11	2				

For your information, the Raw material lead time is 26 weeks and the Production lead time (forging + machining) is 23 weeks.

The first two columns in the table (Actual POs and Forecast letter) reflect two different Spirit needs. To date Spirit has not cancelled PO's for PLN01 and has not placed additional PO's for PLN02. We are still following the actual PO's which are very different from forecast information from Nov 11th.

Referring to your second question, the cost exposure of each scenario depends on the remaining non usable material.

Parts in WIP or inventory is 100% of selling price.

Forging (WIP or inventory) is 80% of the selling price.

Raw Material (on site or ordered) is 40% of the selling price

MKAD Announcement September 24, 2020.

Your comments are well noted, but for the good form we reserve any rights we may have under the contract. We would like to confirm that according to French law, until MKAD closure is official Aubert & Duval is not legally allowed to work with another source. The only possibility not to work with MKAD would be a breach of contract by MKAD, which is actually not the case.

Continuity Plan / A&D engagement to meet program expectations

We have well noted that "Spirit would like to work with A&D over the coming months to document a firm plan for the cutover."

In this regard, we would like to make a proposal that we believe could satisfy the Spirits' interests, while also allowing A&D to supply Spirit without discontinuance in the context of the MKAD potential closure.

This proposal is based on the following considerations:

- As the result of several schedule push outs and cancellations over the last six months following the Airbus A350 schedule changes (reff# R, S and T), Aubert & Duval is in a situation of having its internal production ahead of schedule requirements for both A350-1000 and A350-900 programs. As a consequence A&D has made a pre-request for indemnification as per MPA Par. 36.1.3 (cf letter "Cancellation requirement for Airbus A350-900 Door frames parts PLN01" dated from 23rd July 2020)

- As explained through former exchanges (such as Email chain "new PLN01 vs PLN04" from 20th July 2020 to 15th October 2020) Spirit never confirmed Aubert & Duval to stop PLN01 manufacturing because of the risk of configuration change to PLN02. Aubert & Duval is not authorized to manufacture to a forecast and contractually we are obligated to produce parts in line with your current PO's.

As of today, compare to Spirit forecast Nov 11th, we have:

- i. 27 PLN01 parts in excess for a value of \$640K
 - ii. 42 A350-1000 forgings in excess for a value of \$796K.
 - iii. Raw material ordered in excess (288 parts) for a value of \$2.7M
- If confirmed, the MKAD closure will happen by end of Q1 2021 the latest. To qualify a new machinist would be a huge cost against a very limited outcome in regard to what is already in our wip.

The consequences of points above, may be substantial for A&D and unfortunately for Spirit (A&D will request they should be taken into account by Spirit). It is therefore the Parties interest to settle and mitigate their claims.

We confirm having a clear plan to have all the parts covering the forecast and buffer stock produced by end of Q1 2021 prior to any potential closure of MKAD, but this requires immediate authorization from Spirit on the following:

- 1) Aubert & Duval request Spirit to reconvene and review the feasibility of RFA 66786 (By Airbus engineering design, -1000 forging V533 28170 is able of -900 detail part.) or accept to receive under concessions the -900 parts being manufactured from -1000 forgings.
- 2) Spirit to formally confirm the forecast, including MSN cutovers, from November 11th letter and modify the PO's accordingly prior Dec 4th 2020
- 3) Spirit to accept to receive all PLN01 parts already in our WIP/stocks and manage to upgrade into PLN02 the excess of quantity compared to your future needs
- 4) Spirit to manage to find a fair agreement with A&D to deal the extra raw material remaining once all the parts will be delivered.

Again, our intent is to agree on a plan in order to support the A350 program considering the most limited impact for both A&D and Spirit. We are more than open to discuss and adapt this plan with you.

To move forward with this plan, we propose a follow up meeting with the Spirit team on December 4th.

We also propose to get Airbus involved in the discussion in order to validate the proposed approach.

Please accept Mr Schrader, the expression of my most respectful greetings,

Arnaud Ragain

Sales Director – Aircraft Aerostructures Market.

