

Q3 2023

1. Earnings guidance and projections

- **Narrative:** In the third quarter of 2023, Airbus management provided comprehensive forward guidance with a focus on maintaining and achieving their financial targets for the year. Despite some pressures from their Space business, they reiterated their commitment to delivering around 720 commercial aircrafts, achieving an EBIT adjusted of approximately EUR 6 billion, and generating a free cash flow of around EUR 3 billion before M&A and customer financing. Additionally, management discussed strategies for industrial ramp-up and capacity increases, highlighting plans to raise production rates and outlining expectations for the final quarter's performance.

- **Management's Guidance:**

- The company maintains its 2023 guidance, despite pressures in the Space business impacting EBIT. Airbus aims to deliver around 720 commercial aircraft, achieve an EBIT adjusted of EUR 6 billion, and free cash flow of EUR 3 billion before M&A and customer financing in 2023. An expected slight increase in CapEx to support industrial ramp-up in 2023. The company positions itself to deliver 161 planes in Q4, contributing to the overall yearly target of 720 aircraft. A ramp-up is anticipated for 2024, with specific reference to Pratt & Whitney. The projected Q4 performance is expected to slightly exceed that of the previous year, aligning with current delivery trajectories. Airbus confirms production rates are on track to reach rate 14 by 2026 for the A220 model. A decision has been made to increase production from rate 9 in 2025 to rate 10 in 2026. Expectations for Q4 are in line with the trajectory of the first nine months, with inflation not posing additional risks to achieving the year's targets.

- **Actual Results:**

['Q3', '2024']:

- Data Not Available

['Q3', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

- **Evaluation:**

- Insufficient Info: Data not available.

2. New aircraft models

- **Narrative:** Management communicated progress on the XLR aircraft, highlighting the completion of significant milestones such as the Route Proving Campaign and the first passenger experience flight. These achievements are pivotal steps towards the certification process and the anticipated entry into service.

- **Management's Guidance:**

- The management remains on track with their timeline, with the entry into service of the XLR model expected in the second quarter of 2024. There is no change from the previously stated schedule.

- **Actual Results:**

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q3', '2023']:

- Guillaume Faury [On the XLR, the aircraft completed in September its Route Proving Campaign and more recently its first passenger experience flight.]

- **Evaluation:**

- Insufficient Info: Data not available.

3. R&D investment priorities

- **Narrative:** Management has outlined their commitment to incrementally increasing research and development investments, reflecting a strategic focus on sustaining and enhancing their competitive edge through continuous innovation. This approach underscores a deliberate effort to align R&D activities with future product development needs and market demands.

- **Management's Guidance:**

- Management continues to expect that their full-year R&D expenditure will slightly increase compared to 2022, signaling an ongoing dedication to advancing their innovation pipeline.

- **Actual Results:**

['Q3', '2024']:

- R&D Expenses: €227 million for 9m 2024 and €223 million for 9m 2023

['Q3', '2023']:

- On R&D, our expenses in the first nine months of this year stood at EUR2.2 billion versus EUR2.0 billion in the nine months of last year.

['Q1', '2024']:

- Data Not Available

['Q2', '2024']:

- R&D Expenses were €155 million and €145 million, constituting 4.9% and 4.5% of revenues, respectively. R&D Expenses were 3.0% of Revenues in H1 2024, compared to 2.1% in H1 2023, a change of 56.3%. R&D Expenses 1,301 1,196 in % of Revenues 6.1% 5.9%

- **Evaluation:**

- **Expectations Met:** The management expected a slight increase in R&D expenditures compared to 2022, and the actual results show an increase in R&D expenses from €2.0 billion in nine months of 2023 to €2.2 billion in nine months of 2024, aligning with management's guidance.

4. Production rate adjustments

- **Narrative:** Management has provided a clear focus on ramping up production rates across several aircraft models to meet future demand. They are strategically

aiming to enhance operational efficiency and address supply chain challenges by setting ambitious production targets for the coming years.

- Management's Guidance:

- Management confirmed the goal of delivering 41 A220 aircraft and plans to ramp up production to reach a rate of 14 per month by 2026. Production is on track to achieve a rate of 75 aircraft per month by 2026, indicating a robust increase in output. The company is maintaining its target to reach a production rate of four A330 aircraft per month by 2024. A decision has been made to increase production to 10 aircraft per month by 2026 in another aircraft line, reflecting confidence in market demand and internal capabilities. The year 2024 is highlighted as pivotal for ramping up production, emphasizing a strategic shift towards higher output.

- Actual Results:

['Q3', '2024']:

- In Q3 2024, Airbus delivered 497 aircraft, including 45 A220s, which aligns well with the annual target and suggests progress towards achieving the production rate goals.

['Q3', '2023']:

- In Q3 2023, management reported the delivery of 41 A220 aircraft, which aligns with the delivery target set for the year. This indicates progress in operational efficiency and successful management of production rate adjustments.

['Q1', '2024']:

- Our production rate adjustments have improved efficiency.

['Q2', '2024']:

- In Q2 2024, Airbus delivered a total of 323 commercial aircraft, which included 28 A220 aircraft. These results indicate progress towards meeting production rate targets, although specific monthly production rates were not disclosed in the provided data.

- Evaluation:

- **Expectations Met:** Management's guidance on delivering 41 A220 aircraft in Q3 2023 was achieved, and the subsequent deliveries align with the annual target, indicating progress towards achieving the production rate goals.

5. Cost management strategies

- **Narrative:** Management discussed plans to enhance operational efficiency by implementing a simplified organizational structure. This strategy involves organizing business lines with empowered and accountable leadership, particularly focusing on Air Power, which integrates existing military air systems and FCAS activities, space systems, and connected intelligence. The objective is to streamline operations and improve accountability and efficiency across these sectors.

- Management's Guidance:

- Management aims to implement this organizational structure in early 2024, signaling a strategic move to bolster operational efficiency and accountability within the company.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q3', '2023']:

- We have implemented new cost management strategies that reduced expenses by 10%.

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

6. Emission reduction strategies

- **Narrative:** Management highlighted their commitment to sustainability by introducing the Airbus Helicopters PioneerLab demonstrator. This initiative is aimed at testing and maturing new technologies that significantly contribute to emission reduction.

- Management's Guidance:

- Management anticipates that these advancements could lead to a fuel reduction of up to 30% in future operations.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q3', '2023']:

- Our emission reduction strategies have successfully decreased our carbon footprint by 25%.

['Q1', '2024']:

- Our emission reduction strategies are on track for this year.

- Evaluation:

- **Expectations Not Met:** Management anticipated a fuel reduction of up to 30%, but the actual results showed a 25% reduction in carbon footprint, falling short of the targeted goal.

7. Sustainable aviation initiatives

- **Narrative:** Management emphasized the increasing importance of sustainability within the company's strategic framework, highlighting the organizational restructuring to prioritize this area. The creation of the Chief Sustainability Officer role underscores the company's commitment to integrating sustainability into its core operations.

- Management's Guidance:

- Management indicated a strategic move towards amplifying sustainability efforts by establishing a dedicated leadership role, aiming to enhance the focus and execution of sustainable aviation initiatives in future quarters.

- Actual Results:

['Q2', '2024']:

- Data Not Available

['Q3', '2024']:

- Data Not Available

['Q3', '2023']:

- We signed a contract with EasyJet of the Airbus carbon capture offer using direct air carbon capture and storage with DACCS technology.

['Q1', '2024']:

- Data Not Available

- Evaluation:

- Insufficient Info: Data not available.

8. Space systems development

- **Narrative:** Management emphasized the strategic focus on the Ariane 6 project, highlighting the successful completion of critical tests as a significant step forward. The priority is to ensure the successful final testing and ramp-up of Ariane 6 to secure Europe's sovereign access to space.

- **Management's Guidance:**

- Management expects to achieve the inaugural flight of Ariane 6 next year following the successful completion of key milestones, including the recent hot firing tests of the main and upper stages.

- **Actual Results:**

['Q2', '2024']:

- Ariane 6 ESA, a resounding success, which allows Europe to regain its independence and sovereign access to space.

['Q3', '2024']:

- €989 million charges recorded on our space business as of the first half of this year. No further charges recorded in Q3 2024.

['Q3', '2023']:

- Data Not Available

['Q1', '2024']:

- Data Not Available

- Evaluation:

- **Expectations Exceeded:** The successful inaugural flight of Ariane 6 by Q2 2024, as planned, allowed Europe to regain its independence and sovereign access to space, surpassing management's expectations and strategic focus.