Company Participants

Helene Le Gorgeu - IR
Guillaume Faury - CEO
Thomas Toepfer - CFO

Conference Call Participants

Ben Heelan - Bank of America Merrill Lynch
Olivier Brochet - Redburn Atlantic
David Perry - JPMorgan
Ross Law - Morgan Stanley
Christophe Menard - Deutsche Bank
Robert Stallard - Vertical Research
Tristan Sanson - BNP Paribas
Chloe Lemarie - Jefferies

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Airbus Q1 2024 Results Release Conference Call. I am Sharon, the operator for this conference. Please note that for the duration of the presentation, all participants will be in a listen-only mode and the conference is being recorded. After the presentation, there'll be an opportunity to ask questions.

At this time, I would like to turn the conference over to your hosts, Guillaume Faury, Thomas Toepfer, and Helene Le Gorgeu. Please go ahead.

Helene Le Gorgeu

Thank you, Sharon, and good evening, ladies and gentlemen. This is the Airbus Q1 2024 results release conference call. Guillaume Faury, our CEO, and Thomas Toepfer, our CFO, will be presenting our results and answering your questions. This call is planned to last around an hour. This includes Q&A, which we will conduct after the presentation. This call is also webcast. It can be accessed via our homepage by clicking on the dedicated banner. Playback of this call will be accessible on our website, but there is no dedicated phone replay service.

The supporting information package was published on our website earlier today. It includes the slides, which we will now take you through, as well as the financial statements.

Throughout this call, we will be making forward-looking statements. I invite you to refer to our Safe Harbor statement that appears in the presentation slide, which applies to this call as well. Please read it carefully.

And now, over to you, Guillaume.

Guillaume Faury

Thank you, Helene. Hello, ladies and gentlemen, and thank you for joining us today for our Q1 2024 results call. We are here in Amsterdam with Thomas to run you through our results.

Nearly three months have passed since we last met at the time of full year results. We highlighted at this occasion the persisting complex operating environment, which in the meantime has not shown any sign of improvement, notably the geopolitical tensions and supply chain challenges. In this context, the supply chain remains the pacing factor for the ramp up, and we closely cooperate with our suppliers.

We continue to invest into our production systems and remain vigilant to actively manage bottlenecks. And we devoted our efforts on quality and execution, notably with a critical onboarding and qualification of skilled workforce.

The strong commercial momentum that we observe on wide body aircraft underpins our decision to increase the production rate for the A350 to 12 aircraft a month in 2028. In Q1, we delivered 142 aircraft, a plus 12% increase year on year, roughly in line with our plan. Therefore, I'd like to recall that similarly to last year, we expect the delivery profile to be backhand loaded.

Our EBIT adjusted stood at €0.6 billion, reflecting in particular the commercial aircraft deliveries, and also the investments to prepare the future and support our ramp up. Our free cash flow before customer financing was minus €1.8 billion, consistent with inventory buildup as we ramp up across programs. And our full year 2024 guidance remains unchanged.

So let's now look at our commercial environment. We booked 170 gross orders during this quarter. On the A320 family, we booked 96 gross orders, bringing our backlog to 7,177 aircraft. Thereof, around two thirds are for the A321.

Moving to the wide bodies, we recorded 74 gross orders, including 33 from Korean Air. We're also pleased with a recent announcement from VietJet and Japan Airlines, as well as just earlier today from Indigo, confirming the increasing commercial momentum of the wide body segments and the airline's confidence in our modern and fuel efficient aircraft. As a result, and in the absence of cancellation in the quarter, our backlog in units amounted to 8,626 aircraft at the end of March 2024.

Looking at helicopters, in Q1, we booked 63 net orders compared to 39 in Q1 last year, mainly in the light and medium segments. We're also very pleased with the trust placed by our customers in our products and services at this year's Heli-Expo. During this edition of Heli-Expo, we announced 40 firm orders and 115 commitments for a variety of our multi-mission helicopters from customers worldwide, including the framework agreement signed with the helicopter company in Saudi Arabia.

In the quarter, we also signed a contract with Skyco Leasing in China for six H175 helicopters, and a follow-on order placed by the Japan Coast Guard for three H225 helicopters. We continue to see positive momentum in the civil and military markets. Going forward, we're focused on securing new business opportunities in both our home countries and the export markets.

In line with this ambition, we have recently announced the partnership with the Tata Group to establish an H125 final assembly line in India. This new manufacturing facility will serve the Indian civil market and export to some of the neighboring countries.

Finally, in Defense and Space, we started the year with a solid order intake of €2 billion in the quarter. This includes the extension of previously signed contracts for F-100s and services. While on air power business line and following the latest order of the Republic of Kazakhstan, we are proud to highlight that the C-295 has now reached a total of 300 orders. Additional orders booked in the first quarter relate mainly to space systems.

On the launcher activity, we obviously look forward to the upcoming Ariane 6 maiden flight targeted between June 15 and end of July 2024, so this year. This is definitely an important milestone of the year, not only for us, but for Europe and its independent access to space.

Voila, now Thomas will take you through our financials.

Thomas Toepfer

Well, thank you, Guillaume. And hello, ladies and gentlemen, welcome to our call. I'm on Page 6 of the presentation and I would like to take you through our financial performance.

As you can see, our Q1 2024 revenues increased to €12.8 billion, that is up 9% year-on-year, and it's mainly reflecting the higher number of commercial aircraft deliveries. And on R&D, which you have on the upper right-hand side of the page, our expenses slightly increased versus the Q1 of 2023, and they stood at €0.7 billion. And going forward, we continue to expect our full-year R&D to slightly increase compared to last year.

If you turn the page, you can see that our Q1 2024 EBIT adjusted decreased to €0.6 billion from €0.8 billion in Q1 2023, and that reflects the higher commercial aircraft deliveries, but also a €0.01 hedge rate deterioration. It also reflects investments to prepare the future and the decrease in helicopters from a particularly strong Q1, which we had last year. And it also includes the planned impact from the increased Airbus employee share ownership plan, whose record participation outlines our employees' commitment to our ambition. And this ESOP plan resulted in a year-on-year expense increase of slightly above €0.1 billion.

You can see that the Q1 2024 EBIT reported was €0.6 billion, and on the right-hand side, you see the total level of EBIT adjustments, they were broadly neutral, and they included negative €13 million. The impact is from the dollar working capital mismatch and balance sheet evaluations, a positive €51 million related to the gain on the Airbus OneWeb satellites, and that is linked to the recent acquisition of the remaining 50% of the joint venture, and it includes a negative €6 million of other costs, including some compliance costs.

The financial result was a positive €229 million, and that mainly reflects a positive impact from the revaluation of certain equity investments, and the tax rate on the core business continues to be around 27%. Now, the effective tax rate in the quarter is 34%, and that is driven by a net deferred tax asset impairment.

The resulting net income was €0.6 billion with earnings per share reported of €0.76 per share. And our Q1 2024 EPS adjusted stood at €0.59 based on an average of 788 million shares.

Now, if you turn the page, to Page 8, you can see our U.S. dollar exposure coverage. In Q1 2024, $4.5 billion of forward matured with associate EBIT impact and Euro conversions realized at a blended rate of $1.23 versus $1.22 in Q1 2023. And in Q1 2024, we also implemented $4.2 billion of new coverage at a blended rate of $1.12. As a result, our total U.S. dollar coverage portfolio in U.S. dollars stands at $91.4 billion with an average blended rate of $1.22 as compared to $91.7 billion at a rate of $1.23 at the end of 2023.

Now, as mentioned in the full year 2023 disclosure, we have adjusted our portfolio this quarter by implementing some rollovers to reflect the delivery target for 2024 and its delivery profile, which we expect to be back-end loaded.

Now, let's have a more detailed look at our free cash flow on Page 9. Our free cash flow before customer financing was minus €1.8 billion in the first quarter, and this outflow, as you can see, was mainly driven by the change in working capital, including the planned inventory build-up resulting from the execution of our ramp-up plan. The A400M, for information, continued to weigh on our free cash flow, and our Q1 2024 CapEx was minus €0.5 billion, and that reflects the investment in enhancing and upgrading our industrial system.

To support our ramp-up, we expect our CapEx to continue to increase in 2024, yet at a lower pace relative to previous year. The free cash flow was minus €1.8 billion, with nearly no impact from customer financing, and on that topic, I can say that the aircraft financing environment remains solid, with currently sufficient liquidity in financial markets for our product.

So that overall, as you can see on the page, our net cash position stood at €8.7 billion at the end of March. And our liquidity remains above €30 billion.

Now, let me conclude this financial part of the presentation before I hand back to Guillaume, and I would say that while Q1 was impacted by some elements that will not repeat in the quarters to come, for example the expenses linked to the employee share ownership plan, going forward we focus on what matters most with a sense of priority and efficiency, so that overall I see these results as consistent with our objectives for the year.

And with that, I would like to hand it back to Guillaume.

Guillaume Faury

Thank you, Thomas. And let's start with a look at commercial aircraft. In Q1, we delivered 142 aircraft to 45 customers. And if we look at the situation by aircraft family, on the Q2, we delivered 12 aircraft, and we continue towards the monthly production rate of 14 aircraft in 2026, while still working on the program's industrial maturity and its financial performance.

On the A320, we delivered 116 aircraft, of which 62 A321s, representing 53% of deliveries for the family. We are making progress towards the rate of 75 aircraft per month in 2026, and we continue to expect the entry into service of the XLR in Q3 this year.

We delivered 14 widebodies, of which 7 A330s and another 7 A350s, and we have decided to increase the production rate for the A350 to 12 aircraft a month in 2028, as mentioned earlier, superseding the rate 10 in 2026, and on the A330, we continue to target rate 4 in 2024.

Now let's look at the financials for commercial aircraft business. Revenues increased plus 13% year-on-year, mainly reflecting the higher number of deliveries. The EBIT adjusted decreased to €0.5 billion from €0.6 billion in Q1 -- so the €0.6 billion euros in Q1 2023 last year, with the increase in deliveries being offset by a slightly less favorable rate, as Thomas explained, and investments to prepare the future, such as the increase in workforce and R&D expenses. It also includes the effect from the employee share ownership plan.

Looking at helicopters, we delivered in Q1, 50 helicopters, which is 21 less than in the first quarter of 2023. Revenues decreased 9% year-on-year to €0.5 billion, reflecting the lower volume of deliveries, which was partially offset by services. This is reflected in our EBIT adjusted, which decreased to €71 million. It also includes the effect from the employee share ownership plan. And please let me recall that Q1 2023 performance was particularly strong across program and services in helicopters, setting a high point of comparison to be noted.

And let's complete our review of Q1 with Defense and Space, where revenues increased 4% year-on-year, mainly driven by air power business and partly offset by a less favorable phasing in space systems. The EBIT adjusted also reflects the lower profitability of space systems, notably linked to the so called EAC, estimate at completion updates, performed in the second half of last year.

Q1 2024, including the aforementioned impact related to the employee share ownership plan, like for the two other divisions, and on the A400M, we delivered one aircraft so far in 2024. We continue with development activities towards achieving the revised capability roadmap. Retrofit activities are progressing in close alignment with customers. No net material impact was recognized in the first quarter, and risks remain on the qualification of technical capabilities and associated costs, on aircraft operational reliability, on cost reduction, and on securing overall volume as per the revised baseline.

Now, let me remind you of our guidance issued in February, which remains unchanged. As the basis for its guidance in 2024, the company assumes no additional disruptions to the world economy, air traffic, the supply chain, the company's internal operations, and its ability to deliver products and services.

So, let me repeat the company's 2024 guidance. It's before M&A. On that basis, the company targets to achieve in 2024 around 800 commercial aircraft deliveries. EBIT adjusted between €6.5 billion and €7 billion, and the free cash flow before customer financing of around €4 billion.

And to conclude on to our key priorities, while they have not changed since the full year. In the meantime, we had the opportunity to address them more in detail during the workshops and our recent interactions. Basically, we remain focused on ramping up across all our programs, as we are fully committed to serving our customers and the strong demand for our products. As we do so, we'll continue to rely on our core pillars that underpin everything we do as a company, and those pillars are safety, quality, integrity, compliance, and security. I consider them as paramount for our teams, our customers, and all our stakeholders. And I cannot insist enough on how important it is for us to live up to this responsibility every day.

To support the ramp-up, we'll continue to work closely with our global supply chain partners and to adapt and invest in our global industrial system.

Here, I'd like to briefly address the situation concerning Spirit Aerosystems, which is an important supplier to us. We are working together to secure the sourcing of the Airbus work packages that they are responsible for today. This includes the support from our teams to define a more sustainable way forward, both operationally and financially.

In light of the potential consequences of a takeover of Spirit by another party, namely Boeing, we confirm that we are in early stages discussions on a variety of options. These discussions are confidential, and we have actually no additional comments to share at this stage.

And now looking to you, Helene, for the Q&A.

Helene Le Gorgeu

Yes, we will now start our Q&A session. So please introduce yourself and your company when asking a question. Please limit yourself to two questions at a time, and this includes sub-questions. Also, as usual, please remember to speak clearly and slowly in order to help all participants, particularly ourselves, to understand your question.

So Sharon, please go ahead and explain the procedure for the participants.

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] We will now go to your first question. And your first question comes from the line of Ben Heelan from Bank of America. Please go ahead.

Ben Heelan

Yes, thank you. Good evening, guys. Thank you for taking my question. The first one, I wanted to talk around the guidance and how should we think about phasing of EBIT for the remainder of the year? And can you provide a little bit of color around your level of conviction for the EBIT guide for this year? Thank you.

Thomas Toepfer

Yeah, let me take this one. So the way I would characterize this, Ben, is that Q1 was certainly not a super strong quarter. However, it was really affected by some effects that will not repeat themselves in the rest of the year. And I think we gave you some hints, mainly this employee share ownership plan, which had a negative effect of over 100 million. That is certainly not repeating itself. But also, of course, some of the cost effect of the hiring that we did last year and also the impact from the hedge rate.

So the way we look at it is, for the rest of the year, last year, we essentially made €5.1 billion in the remaining months of the year. To come to the midpoint of the guidance, we would have to do roughly a billion more.

Where is that coming from? First of all, from, of course, higher deliveries that we're expecting for the full year. Again, if you take the midpoint of our guidance, this is roughly 50 aircraft, and you know how to translate that into an EBIT.

The second positive that will, of course, help us is the fact, remember, we had the negative charges that we took on space. It was €600 million, but we always said only €400 million of that relate actually to 2023. So 400 would be the number to reverse. On the other hand, we had releases of provisions last year of €100 million. So the net number of charges that will not repeat itself this year is roughly €300 million that you should have in mind.

And then, of course, we do expect that there is some performance improvement in the divisions, which is also to be taken into account. And on the slightly negative side, we always highlighted that R&D expenses would slightly increase relative to previous year. We said that we do expect a slight negative from the FX rate development. And we also do expect that there is inflation hitting us in 2024 at the same or maybe slightly lower level than what we had in 2023.

Now, if you take it all together, and also with our focus on efficiency, namely to counteract some of the inflation that, of course, we do see, that should bring you to this roughly €1 billion more in 2024 for the remaining nine months of the year than what we had last year. And again, the big positives, of course, are the roughly 50 more deliveries if you take the midpoint of the guidance and the non-repeat of the one offs that we had last year.

Ben Heelan

Okay, Thomas, thank you for that. That was super clear. Can I have one follow-up as well around defense? And can you help me understand the loss in defense? Because I was under the impression, based on the Q4 report that a lot of the bad contracts have already been provisioned for in 2023. So, have there been new charges in the quarter? Can you help us understand from an underlying performance perspective what is continuing to drag on the defense and space business?

Thomas Toepfer

Yeah, thank you for the question. I think to be very clear, when we said in our call it's linked to the EACs. We mean that the EAC corrections that we made in the second half of last year, of course, have a one-off effect, but they also put the contract on a slightly lower trajectory relative to what we had in the first half of 2023 when these EACs were still unaffected. So, essentially, when you have new assumptions with respect to timeline, new assumptions with respect to cost, that continues to weigh slightly on the EACs. So, to be very clear, that is what we meant when we made the statement in the call.

And the rest, I would say, is basically just phasing. Sometimes some contracts come in a little earlier, sometimes a little later. So, I would say no other major effects other than a slightly negative phasing that we saw in 2024 relative to last year.

Ben Heelan

Okay. Very clear. Thank you.

Operator

Thank you. We will now go to our next question. And your next question comes from the line of Olivier Brochet from Redburn Atlantic. Please go ahead.

Olivier Brochet

Yes. Good evening, Guillaume and Thomas. Thank you for taking my questions. I would go for two, please. The first one on the final assembly line in Toulouse and the extensions in Mobile and Tianjin, if you could update us on where we are, how is the ramp, and so on.

And the second one on the A220, the negotiations on the contracts in Canada, if they stall, does it have any impact on the full year guidance deliveries, albeit cash please? Thank you.

Guillaume Faury

Yes. Thank you, Olivier. So, update on the files for the A320 family production system. Moving forward at good pace, only good things to report. You might remember that we delivered from Toulouse the first A321 slightly ahead of schedule end of last year to Pegasus Airlines. And so, we keep moving forward. We've delivered four, five, six more now at the beginning of this year from that line. I'm not specific on the number, but it's moving forward quite fast now.

We're in the ramp up of the production, the construction work of the U.S. and Chinese files as well, with a readiness of the full production system by 2026, consistently with the rate 75 in 2026. So, only good things to report, I would say, on that front.

And the second question, that is linked to the A220, no, there is no impact expected on the guidance for each year [ph] of the recently shared. Well, tensions to come to an agreement on the salaries and the compensation for this year for employees. It's being managed at this point, no impact expected on the Fourier guidance.

Olivier Brochet

Okay. Can I ask a follow-up on the Toulouse line? When do you think you're going to reach full rate?

Guillaume Faury

I have to confess my ignorance at this very moment on this point. For the first A321 line, there's a big ramp up this year. So, we should not be far from reaching the cruise speed by mid or end of next year, I guess. And the second line will enter into service, as far as I remember, top of my head, ‘26. So, it will not be at full steam before ‘27, but good enough to contribute to the rate 75, as I said earlier. So, let's take it as a rough answer to your question, top of my head.

Olivier Brochet

Okay. Thank you very much.

Operator

Thank you. We'll now take the next question. And your next question comes from the line of David Perry from JPMorgan. Please go ahead.

David Perry

Yeah. Thank you, Guillaume and Thomas. I'll have two questions, please. The first is just your tone, Guillaume. I'm just trying to gauge what you're really saying on the supply chain. You start with quite a conservative sentence in the release. I mean, is it a little worse than maybe you thought a couple of months ago?And I'm just wondering if there are any new issues relative to the ones you discussed at length on the roadshow only a month or two back, in particular, whether you're seeing any resistance from the engine companies.

And then also, on the widebody environment, I mean, you've had some very, very nice orders, or I think there's reports of more orders to come as well today. Are these coming in at better pricing than you were thinking a couple of months ago? Thank you.

Guillaume Faury

Yes. Thank you, David. Well, on my tone, and I said on the supply chain, it's not improving. So, I'm suggesting it's not improving. Basically, we have a lot of issues, and taken individually and separately. They all are manageable, but the environment is a challenging one. So, that's basically what we mean. Not necessarily coming from engines. I think the engine situation is probably rather stable, if not slightly improving. But we see that we have here and there new cases to deal with, and a number of difficult situations.

So, not of a nature to change our guidance. Our guidance is unchanged, but the environment is difficult. And we are pouring a lot of human resources of teams to deal with these situations with our suppliers and partners, as I said earlier in the call.

On the widebody, well, actually, I'm happy to see the situation we're in. I think sort of 18 months ago, we shared with you that we were seeing a pickup of orders, a large and quite good type of campaigns. We see that our products, especially the A350, but not only is really competitive on the marketplace, that the product does very well in service, that the reputation of the A350 is significantly growing and very positively, and this is indeed of a nature to progressively help on the pricing. But I would not consider that we are yet in a situation that I would find back to normal. We're still moving out of a situation that was a very tense and difficult one, and it's still a very competitive environment. But the fact that we are ramping up, that we have decided to increase the rates by 2028 by two points, indicates that we feel we can fill the pipe with good orders moving forward.

So, over time, I guess this will continue to improve, but remains challenging at the moment, probably slightly improving step by step.

David Perry

Very helpful. Thank you very much.

Operator

Thank you. We will now go to your next question. And your next question comes from the line of Ross Law, Morgan Stanley. Please go ahead.

Ross Law

Hi, everyone. Good evening. Thanks for taking my question. The first is a quick one on the GTF engine, just checking whether deliveries of that engine have met the contractual commitments so far this year. And secondly, on the A350 production rate hike, just to check on kind of where you're getting comfort that the supply chain can support this higher rate. And do you still expect to get 10 a month in 2026, even though this is no longer an official target? Thanks.

Guillaume Faury

Yes, thank you, Ross, for the question. So, the very short answer on the GTF is yes, matching a contractual commitment in 2024. And it was the case as well in 2023. So, that's okay.

Supply chain for the 350 -- yeah, sorry. Well, so, when we -- before we announce and we formalize a supply -- a rate hike on a product, we do what we call a supply chain readiness assessment that goes quite deep into the supply chain to understand what the supply chain feels capable of and capable of committing to. And that's how we came to the rate 12 by 2028. And that's the way we have found to match additional demand and capacity -- sorry, expectation from our customers on A350, availability and quantities with the ability of the supply chain to do the ramp-up.

So, the rate 12 has been assessed positively, and that's why we are making it now an official new target. And obviously, we will cross the line of rate 10 somewhere on the way to rate 12. But we really want to avoid any potential confusion or misunderstanding with the supply chain. The rate 10 is no longer what we're targeting. We are targeting rate 12. And they have to put all of them, the rate 12, into their systems and into their investment plans when they have to invest to go from rate 10 to 12. So, we really want to make sure that there is no misunderstanding, no room for ambiguity on the rate 12.

And the rate 10, 2026 is no longer a reference. Still, we will have to cross the line of rate 10, as I said, at a point in time and probably not far from what it was before. But again, like what we did for the A320, we want to make sure that everybody's focusing on the new rate, which is the new reference.

Ross Law

Great. Very clear. Thank you very much.

Operator

Thank you. We will now take the next question. And your next question comes from the line of Christophe Menard, Deutsche Bank. Please go ahead.

Christophe Menard

Yes. Good evening. Thank you for taking my question. I have two questions. The first one on ESOP. Do you have this split per division? I mean, should we assume it's basically pro rata, per -- the percentage of employee per division? And to touch this, should we consider ESOP as a recurring element in Q1 every year, basically? So, that's for the first question.

The second question is Defense and Space. You launched some plans to, I would say, restructure the business or improve the profitability. We're not seeing the tangible signs yet. When would you expect those higher margins or this to materialize in the business? Thank you.

Thomas Toepfer

Hey, Christophe. This is Thomas speaking. Let me take your question. So, first of all, on ESOP, yes, I think your assumption is correct. If you want to split it by division and you take the numbers of employees to split it, then I think that gives you a reasonably good result. So, that should work.

To your question whether it is recurring, it's a little bit of a tricky one. Why is that? Because, obviously, the company reserves its rights to every year take a new decision whether we do an employee share ownership plan. And therefore, we are very careful not to make a firm commitment that we don't want to make. However, I think employees would be quite disappointed if it wasn't the case also next year because there's certainly something like a tradition. And therefore, that's how I would position it.

This year, it was, as I said, a very high participation combined with an extended scope and also very high share price. And this is why we mentioned the program simply because the difference relative to previous year was slightly over 100 million. And therefore, it was not completely insignificant in terms of how it drove our results.

I think your second question on ADS profitability. Yes, I mean, we do continue to think that we have taken the right steps. And with the transformation program, we will see an uplift of the profitability. I have to confess, if it was so easy that you do see the result in the next quarter that would be probably too high of an expectation. But let me clearly say with the steps that we have taken, and I think they were quite significant. So 12,000 employees transferred from central functions into the business lines, significant measures in terms of scrutiny, in terms of the order intake and the margin, et cetera, et cetera. So I think we do see clearly the signs that we're on the right way.

However, this mid to high single-digit margin that we said we would achieve for ADS that certainly will take a couple of years before that will materialize. So I think we're clearly in line with what we have announced and on track with the measures that we've implemented.

Christophe Menard

Thank you very much for the color.

Operator

Thank you. We'll now go to your next question. And your next question comes from the line of Robert Stallard from Vertical Research. Please go ahead.

Robert Stallard

Thanks so much, and good evening.

Guillaume Faury

Hi, good evening, Robert.

Robert Stallard

Hi. I've got two questions, if I may, both probably for Guillaume. First of all, clearly your competitor is having a few issues at the moment. I was wondering if the uncertainty that some of your suppliers are experiencing with Boeing is having any indirect knock-on impact on Airbus.

And then secondly, given the scale of your Indian order book at the moment with the A350 addition today, do you think at some point it makes sense to set up a FAL or a final completion center in India? Thank you.

Guillaume Faury

Yeah, thank you, Robert. Yes, indeed, the uncertainty and the changes of assumption and rate coming from the competitor is putting additional stress and challenges onto the supply chain. And some of the suppliers are coming to us. So we see this knock-on effect. And I mean, the example of Spirit was mentioned earlier. That's obviously a typical or probably a bit extreme example of what it means. And we have to deal with it.

When it comes to India, well, we don't necessarily think that putting a commercial aircraft final assembly line is the way to deal with the situation. We are growing very significantly in India, in terms of activity, in terms of sourcing, in terms of teams, in terms of headcount over there. We'll be soon at 5,000 Airbus employees in India. So I think it will be the case by 2025, roughly. So you see that it's very significant.

And actually, we're putting final assembly lines, but not of commercial aircraft. We have the C295 final assembly line, which is currently being put in place. The first C295 from the contract with India has been delivered from Spain. And we have started the manufacturing process of parts in India for the future of the C295 that will deliver tens of aircraft and probably more in the future from India.

And we have announced a few weeks or months ago now, a final assembly line for the H125 with our partner Tata in India to serve the Indian market and some neighboring countries. So that's the plan we have in India. It's a very broad and deep plan when it comes to the diversity of the activities. We're also growing the relationship we have with some Indian partners as suppliers for our IT, engineering, production, a bit across the board. And I would consider the teaming of India and Airbus on a large portfolio of activities as a very strong one as we move forward.

Robert Stallard

That's great. Thank you very much.

Operator

Thank you. We will now go to the next question. And your next question comes from the line of Tristan Sanson from BNP Paribas. Please go ahead.

Tristan Sanson

Yes, good evening, gentlemen. It's Tristan from BNP Paribas Exane. Thanks for taking my question. The first one is on the ramp up of the A350 from rate 10 to 12 a month. So you reached 10 a month in 2019. You never reached 12 a month. Can you tell us what is the investment plan that is required in terms of footprint, tooling, staffing to be able to move from 10 to 12?

And the second is a clarification of the message on Defense and Space. It's a simple question, but can you give us an idea of what you expect the D&S margin to be for the full year? Many thanks.

Guillaume Faury

I will reserve the second question to Thomas, but I'm not sure he will answer that question. Now, coming back to your first one. Well, I will not be specific on the numbers, but I can share with you, Tristan, that the original sizing of the A350 production system, so before COVID, was roughly for a rate of 13. And therefore, we are within the sort of envelope of what was sized 15 years ago when the production system was launched.

Now, there are differences compared to what was designed at that point in time in the sense that we have now more A350-1000s, and including the freighter, which is more of a dash -1000 than a dash 900 [ph]. So this is sort of a marginal investment in terms of tooling, investment, CapEx, but it's an important one when it comes to the ability of the supply chain to serve at that rate, including for the mix that I discussed earlier, and obviously also for the workforce, the headcount in an overall environment that is already stressed and stretched on hiring of resources.

So, we think that makes a lot of sense for us as the original production system was sort of sized, pre-sized for these rates. And we don't need, for instance, to go for an additional final assembly line or additional plants for some of the major sections that will fit within the existing overall frame of the current production system.

Thomas Toepfer

Well, and on the second question, I mean, we do not give precise margin guidance and the trajectory of the transformation program. But you know the building blocks for Defense and Space here, namely the non-repeat of the trend we had last year. On the other hand, of course, they are hit by the same headwinds that we have in the group, namely the inflation topic. So therefore, I would say what you can expect for the full year is what I would call a solid mid-single-digit margin for Defense and Space. I think that gives you guidance that it's a clear improvement towards last year, and it's on the trajectory to our ambition that we've given.

Tristan Sanson

That's very helpful. Thank you. Thank you very much, both.

Operator

Thank you. We will now take our final question for today. And the final question comes from the line of Chloe Lemarie from Jefferies. Please go ahead.

Chloe Lemarie

Yes. Good evening, everyone. Thank you for squeezing me in. I have two questions, if I may. The first one is a follow-on on Ben's question on the moving parts through the year in terms of EBIT momentum. Just on the headcount growth, could you share just how much that weigh on Q1 performance and how you see this moving through the year?

And the second question is on BDS. Could you tell us what was the driver for ending the discussion with ATOS on your end, and what do you think you'll do with the cash, you'd set aside for this potential deal? Could this be potentially consumed by the discussion you're having around Spirits, or could there be other opportunities? Thank you.

Thomas Toepfer

Let me start with the last question and start by reminding we have a liquidity position north of $30 billion as a net cash that at the end of last year was $10.7 billion. So against that, we did not put aside any cash for a potential acquisition of the size of BDS. So therefore, now that the transaction will not take place, it does not change at all our situation and plans, because there was nothing specifically set aside.

Why did the transaction not materialize? I would say we are looking into ways and options to strengthen our position when it comes to digital, when it comes to cyber, et cetera. And of course, BDS was something that we wanted to look at. We always said we are interested to do a due diligence, and that's what we did.

In the end, we had to conclude that if we looked at the risk and opportunities from an Airbus perspective, the risks were outweighing the opportunities that we perceived, and that is why we took the decision not to pursue the transaction.

And on your first question with the moving parts, as I said, there is, of course, a little bit of negatives from the additional headcount increase that was also flagged. We said we built up 10,000 people last year, or 13,000 if you take the face value, but operationally it was more like 10,000. On the other hand, I said also we will work against this with some efficiency measures for the end of -- for the rest of the year. And so therefore, I would say it's, of course, a three-digit number negative, but in the low range for 2024.

Chloe Lemarie

All right. Thank you. Very clear.

Operator

Thank you. I will now hand the call back to Helene for closing remarks.

Helene Le Gorgeu

Thank you. This closes our conference call for today. If you have any further questions, please send an email to Philippe, Olivier, or myself, and we will get back to you as soon as possible. Thank you. We are looking forward to seeing or speaking to you again very soon.

Guillaume Faury

Thank you, Helene. Thank you, everyone. Thank you, Thomas.

Thomas Toepfer

Thank you. Bye-bye.

Operator

Thank you, ladies and gentlemen. The conference is now concluded, and you may disconnect your telephone. Thank you for joining and have a pleasant evening. Goodbye.