Q2 2020

1. Free cash flow dynamics
- **Narrative:** Management's narrative for the second quarter of 2020 focused on maintaining a stable financial position amidst the challenges presented by the COVID-19 pandemic. The primary objective was to avoid consuming cash in the latter half of the year before considering mergers and acquisitions (M&A) and customer financing. This approach reflects a strategic intent to manage liquidity prudently during uncertain times.
- **Management's Guidance:**
- Management outlined the ambition to not consume cash in the second half of 2020 before M&A and customer financing considerations. They also highlighted a focus for the following year, 2021, on stabilizing cash flows, accounting for exceptional cash outflows such as severance payments, while aiming to optimize inventory management to support financial stability.
- **Actual Results:**
['Q3', '2020']:
- In Q3 2020, Airbus reported a positive free cash flow before M&A and customer financing of €0.6 billion, indicating no further cash consumption during the quarter.
['Q1', '2021']:
- In Q1 2021, the free cash flow before M&A and customer financing was reported at €1.2 billion, demonstrating a positive cash flow as targeted in the management guidance.
['Q4', '2020']:
- In Q4 2020, Airbus reported a positive free cash flow before M&A and customer financing of €4.9 billion.
['Q2', '2020']:
- Free cash flow before M&A and customer financing in Q2 2020 was minus €4.4 billion, and H1 2020 was minus €12.4 billion.
- **Evaluation:**
- Expectations Exceeded: Management aimed to avoid cash consumption in the latter half of 2020, and Airbus exceeded this target by achieving positive free cash flows in Q3 and Q4 2020, as well as in Q1 2021, demonstrating stronger-than-expected financial performance.

2. Earnings guidance and projections
- **Narrative:** Management discussed strategic financial measures for future stability and growth. They highlighted the importance of restructuring provisions and investments to maintain competitive advantage and ensure long-term sustainability. The focus is on optimizing capital expenditure and implementing cost reduction measures efficiently.
- **Management's Guidance:**
- A restructuring provision is expected to be recognized once the necessary conditions are fulfilled, with an anticipated amount between €1.2 billion and €1.6 billion. Investments are planned over the next four to five years, emphasizing long-term growth. Capital Expenditure (CapEx) is projected to be around €1.9 billion on a full-year basis. The full-year effect of cost reduction measures will not be realized until 2022.
- **Actual Results:**
['Q1', '2021']:
- Data Not Available
['Q2', '2020']:
- Data Not Available
['Q3', '2020']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

3. New aircraft models
- **Narrative:** Management highlighted ongoing efforts to expand their product line with a focus on new helicopter models, specifically mentioning the five-bladed H145 and the H160. These developments are part of Airbus's broader strategy to innovate and strengthen its position in the aerospace market.
- **Management's Guidance:**
- Management indicated that the five-bladed H145 and the H160 helicopters are anticipated to receive certification from the FAA later this year, suggesting an impending enhancement to their product offerings and potential market growth.
- **Actual Results:**
['Q1', '2021']:
- Data Not Available
['Q2', '2020']:
- Data Not Available
['Q3', '2020']:
- 082f1b39641fee1a0cfd143f0749473d --> The 68 net ordered -- net orders booked in Q3 include six H160 following the certification by EASA last July.
- b97c6075d7f07b02ce52e835faf64e79 --> In Q3, we delivered the first of this five-bladed H145 to the Norwegian Air Ambulance Foundation after its certification by EASA in Q2.
['Q4', '2020']:
- Guillaume Faury - We delivered 300 aircraft compared to 332 in 2019, including the first 5-bladed H145.
- **Evaluation:**
- Expectations Exceeded: The management anticipated FAA certification for the H145 and H160 helicopters, but the actual results showed that the five-bladed H145 and the H160 received EASA certification earlier than expected, and the first deliveries were made, surpassing management's timeline expectations.

4. R&D investment priorities
- **Narrative:** Management has prioritized the protection of key projects in their R&D road map, despite a reduction in 2020 capital expenditures. This indicates a strategic focus on maintaining momentum in crucial development areas such as the A321XLR and the DDMS project. These projects are seen as essential for the

company’s future readiness and competitiveness.
- **Management's Guidance:**
- Management has deliberately reduced the 2020 CapEx but emphasized that key projects like the A321XLR and the DDMS project would continue to receive the necessary investment. This approach underscores their commitment to long-term strategic objectives, despite immediate cost reductions.
- **Actual Results:**
['Q4', '2020']:
- Dominik Asam stated that "Our 2020 R&D decreased by €0.5 billion and stands at €2.9 billion."
['Q1', '2021']:
- Dominik Asam: "Our research and development expenses decreased by 6% year-on-year."
['Q2', '2020']:
- Data Not Available
['Q3', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Despite a reduction in overall R&D expenses, management maintained their commitment to strategic projects like the A321XLR and DDMS, aligning with their guidance to protect key investments.

5. Production rate adjustments
- **Narrative:** Management discussed their strategic adjustments to production rates in response to the current market conditions. A key focus is on converging production and deliveries to streamline operations and reduce the backlog of undelivered aircraft. The company is temporarily adjusting A350 production rates and aiming for a gradual return to pre-COVID levels in certain assembly lines. Additionally, management is planning for a future ramp-up, specifically targeting a recovery in single-aisle production by 2022.
- **Management's Guidance:**
- - Management plans to adjust A350 production rates from six to five per month for now.
- - They aim to converge production and deliveries in Q3, indicating confidence in the trajectory they are on.
- - The Final Assembly Line (FAL) in Mirabel is expected to progressively return to pre-COVID levels at rate four.
- - Management maintains a rate 40 for the 320, anticipating a ramp-up around 2022 for single-aisle production.
- - There is a target to significantly reduce non-delivered aircraft by the end of 2020, with convergence efforts starting in the second half of 2020.
- **Actual Results:**
['Q1', '2021']:
- Data Not Available
['Q2', '2020']:
- The A350 production rate was adjusted from six to five per month as per management's guidance. Additionally, the A320 production rate was maintained at 40 per month.
['Q3', '2020']:
- Guillaume Faury reported that they started by adjusting the A350 production from almost 10 down to 6, and further adjusted to 5, indicating they are currently around 5. Additionally, it was noted that production and deliveries were converging as targeted during the quarter.
['Q4', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Met: Management's adjustment of the A350 production rate from six to five per month was achieved as planned, and the convergence of production and deliveries was reported to be on target during Q3 2020, aligning with the stated goals.

6. Cost management strategies
- **Narrative:** In the context of Operational Efficiency and Supply Chain Management, Airbus management elaborated on their cost management strategies. The company is actively working on optimizing its long-term cost structure by resizing its global workforce and adjusting its commercial aircraft activities. This initiative aims to streamline operations and better align with current industry demands.
- **Management's Guidance:**
- Management has provided specific forward-looking actions regarding cost management strategies:
- - Airbus plans to reduce its active workforce by approximately 15,000 positions by summer 2021.
- - A significant portion of this headcount reduction, including temporary workers, is expected to materialize throughout the next year.
- - There is an expectation to significantly decrease the number of aircraft stored by the end of 2020.
- - The company aims to eliminate the majority of its inventory by the end of this year or part of next year.
- - The reduction of temporary workers is anticipated to progress more quickly, with a substantial portion completed in the second half of the current year, retaining some flexibility in workforce management.
- **Actual Results:**
['Q3', '2020']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
['Q1', '2021']:
- Data Not Available
['Q2', '2020']:
- Data Not Available
- **Evaluation:**
- Insufficient Info: Data not available.

7. Military aircraft contracts
- **Narrative:** Management highlighted the strategic significance of the French government's support plan, which includes commitments for future military aircraft orders. This plan is expected to bolster Airbus's position in the defense sector, particularly with the French military and security agencies.

- **Management's Guidance:**
- Management anticipates future order commitments including eight H225M for the French Air Force, 10 H160 for Gendarmerie Nationale, and two H145 for security at Seville. Additionally, a second demonstrator of the military drone for the French Navy is planned.
- **Actual Results:**
['Q3', '2020']:
- Data Not Available
['Q4', '2020']:
- Data Not Available
['Q1', '2021']:
- In Q1 2021, our order intake in defense and space was at €2 billion, representing a book-to-bill of around 0.9. We also booked orders worth €0.8 billion in military aircraft, including recurring orders in military services and €0.3 billion in connected intelligence. Additionally, 40 net orders were secured, including 2 Super Puma and 1 H160.
['Q2', '2020']:
- Data Not Available
- **Evaluation:**
- Expectations Not Met: The management anticipated significant military aircraft orders, including specific commitments for the French Air Force and Gendarmerie Nationale, but the actual results in Q1 2021 show limited orders, with only two Super Pumas and one H160, falling short of expectations.

8. Air traffic recovery trends
- **Narrative:** Management highlighted expectations regarding the recovery of air traffic to pre-pandemic levels, with a target to reach 2019 levels between 2023 and 2025. They also noted the unique recovery trajectory of the Chinese domestic market, indicating a stronger demand for aircraft deliveries in the latter half of 2020 and beyond, driven by an underserved market.
- **Management's Guidance:**
- Management anticipates that air traffic will return to its 2019 levels somewhere between 2023 and 2025. It is expected that Chinese airlines will significantly increase aircraft deliveries in the second half of 2020, correlating with a recovery in their domestic market. Although not expected to reach pre-COVID-19 levels immediately, a substantial increase in aircraft demand is anticipated, particularly in the single-aisle segment, during the latter half of 2020 and into 2021.
- **Actual Results:**
['Q1', '2021']:
- 125 commercial aircraft delivered in a market environment that remains uncertain
['Q2', '2020']:
- Guillaume Faury [RTK in June were at 13.5% versus last year. Domestic travel was at about 32%, with China on the recovery, reaching about 65%, and international air traffic was about 3% versus June 2019.]
['Q3', '2020']:
- Guillaume Faury noted that Chinese domestic flights have returned to 100% in terms of domestic flights.
['Q4', '2020']:
- Overall passenger air traffic, measured in RTK, declined by 66% in 2020 versus 2019, according to IATA.
- **Evaluation:**
- Expectations Exceeded: The management anticipated a significant recovery in the Chinese domestic market, which was expected to drive aircraft demand. By Q3 2020, Chinese domestic flights were reported to have returned to 100%, surpassing expectations and indicating stronger-than-anticipated recovery.