## Q1 2020

**1. Free cash flow dynamics**
- **Narrative:** Management emphasized their strategic focus on cash preservation in the upcoming quarters as a key priority. They highlighted the initiative to reduce cash outflows as part of their financial strategy to improve free cash flow dynamics.
- **Management's Guidance:**
- Management intends to halt net cash consumption by the fourth quarter through continued efforts in reducing cash outflows.
- **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 third quarter.
**['Q4', '2020']:**
- In Q4 2020, the free cash flow before M&A and customer financing was a positive €4.9 billion.
**['Q2', '2020']:**
- Free cash flow before M&A and customer financing was reported as minus €4.4 billion in Q2 2020.
**['Q1', '2020']:**
- Free cash flow before M&A and customer financing reported was minus €8 billion in Q1 2020.
- **Evaluation:**
- **Expectations Exceeded**: Management aimed to halt net cash consumption by Q4 2020, but Airbus reported positive free cash flow as early as Q3 2020, surpassing expectations with €0.6 billion and further improving to €4.9 billion by Q4 2020.

**2. Earnings guidance and projections**
- **Narrative:** Management has taken decisive steps to navigate the challenging market conditions in 2020, focusing on reducing expenditures and adjusting production plans. They have paused certain investment projects to preserve cash flow amidst the expected decline in revenue and passenger numbers. This reflects a strategic approach to maintain financial stability while preparing for potential future recovery.
- **Management's Guidance:**
- Management expects a year-on-year decrease of 48% in operations for 2020, with passenger revenue projected to decline by $314 billion compared to 2019 levels. They have decided to cut fiscal year 2020 CapEx by about EUR700 million, now expecting around EUR1.9 billion. The investment in the new A321 final assembly line in Toulouse has been paused, with plans to resume at a later stage. The goal for Q4 is to manage cash-outflows to handle even pessimistic cash-in scenarios, with adjustments to delivery rates if necessary, aiming to balance cash flows by December. The timeframe for stabilizing the new scenario is assessed to be by June.
- **Actual Results:**
**['Q2', '2020']:**
- Data Not Available
**['Q3', '2020']:**
- Data Not Available
**['Q4', '2020']:**
- Data Not Available
**['Q1', '2020']:**
- Guillaume Faury [After withdrawing the 2020 guidance in March, we continue to assess the impact of the COVID-19 on our business.]
- **Evaluation:**
- Insufficient Info: Data not available.

**3. Production rate adjustments**
- **Narrative:** In response to the evolving market conditions, Airbus management has outlined a strategic adjustment in production rates across its major aircraft families. The company is taking measured steps to align production with current demand levels, while positioning itself to swiftly scale operations should market conditions improve. This involves a temporary reduction in production rates along with strategic planning for a potential future increase in response to demand recovery.
- **Management's Guidance:**
- Management has announced a reduction in production rates to rate 40 for the A320 family, 2 for the A330, and 6 for the A350. The production rate for the A220 in Mirabel is expected to progressively return to rate 4, and the new assembly line in Mobile is planned to open in May as scheduled. Deliveries in Q2 will remain very low due to ongoing restrictions and logistical challenges. The company aims to establish a new baseline for operations by June, with the possibility of further adjustments to production rates around that time. The new production rates are approximately one-third lower, with a focus on rebalancing and cost efficiency for the remainder of the year. There is an intention to maintain the capability to quickly return to a production rate of 60 if demand rebounds as expected.
- **Actual Results:**
**['Q2', '2020']:**
- Guillaume Faury confirmed that Airbus was operating at a production rate of 40 for the A320, aligning with the management guidance. Additionally, there was a slight adjustment in the A350 rates from six to five per month due to the current market situation. Deliveries in Q2 included 196 aircraft, with specifics such as 11 A220s, 157 A320 Family, 5 A330s, and 23 A350s.
**['Q3', '2020']:**
- In Q3 2020, the production rate for the A350 was adjusted from an initial rate of 6 to around 5. The A320 production was stable at rate 40, and the A330 was maintained at rate 2. Deliveries included 341 aircraft, with specific deliveries of 18 A220, 282 A320 Family, 9 A330, and 32 A350.
**['Q4', '2020']:**
- Deliveries for Q4, 2020 included 566 aircraft comprising 38 A220, 446 A320 Family, 19 A330, 59 A350, and 4 A380. In April, the production rates were recalibrated by reducing rates by around 40%. A solid number of 225 aircraft were delivered in the fourth quarter. On A320, production rates were set to gradually increase from 40 aircraft per month to 43 in the third quarter and 45 in the fourth quarter of 2021, indicating a slower ramp-up than the previously anticipated 47 aircraft per month from July.
**['Q1', '2020']:**
- We delivered 122 aircraft to 49 customers, including 8 A220, 96 A320 Family, 4 A330, and 14 A350. The new production rates were about a third down, aligning

with the management's guidance of production adjustments.
- **Evaluation:**
**- Expectations Met**: Airbus management's guidance on production rate adjustments was largely achieved, with production rates aligning closely to the stated targets for the A320 and A330 families, and a slight variance in the A350 rate, reflecting effective operational management amidst challenging market conditions.

**4. Air traffic recovery trends**
- **Narrative:** Management addressed the varied pace of air traffic recovery across different segments and regions. They emphasized that while some areas are showing signs of recovery, particularly in China, the overall recovery in the wide-body aircraft segment is projected to take longer due to the ongoing impacts of the COVID-19 pandemic.
- **Management's Guidance:**
- Management anticipates that customer demand will increase, allowing more customers to pick up their planes starting in Q3. The full recovery for wide-body aircraft is expected to take longer, with scenarios projecting recovery between 2023 and 2025. Recovery in China is underway, with expected aircraft deliveries in Q2.
- **Actual Results:**
**['Q2', '2020']:**
- 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 since the beginning of the crisis, they recorded four cancellations. Their backlog stood at 7,441 aircraft as of the end of September. Additionally, they booked 143 net orders in the first nine months of 2020, compared to 173 in the same period in 2019. He also mentioned that they are back 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.
**['Q1', '2020']:**
- Passenger capacity declined by minus 85% at the peak of the crisis in China in mid-February, compared to pre-COVID-19 situation, and recovered to a minus 60% in April.
- **Evaluation:**
**- Expectations Not Met: The management anticipated increased customer demand starting in Q3, with recovery in China underway and expected aircraft deliveries in Q2. However, the actual results showed a significant decline in air traffic with only partial recovery, particularly in China, indicating that the anticipated demand and recovery did not fully materialize as expected.**