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Company Participants

Guillaume Faury - CEO
Dominik Asam - CFO
Hélène Le Gorgeu - Head, IR and Financial

Conference Call Participants

Ben Heelan - Bank of America
David Perry - JP Morgan
Tristan Sanson - Exane
Olivia Charley - Goldman Sachs
Christophe Menard - Deutsche Bank
Douglas Harned - Bernstein
Robert Stallard - Vertical Research
Charles Armitage - Citi
Harry Breach - Stifel

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Airbus Q1 2022 Results Release Conference Call. I am Crystal, the operator for this conference. [Operator Instructions] The conference is being recorded. [Operator Instructions]

At this time, I would like to turn the conference over to your host, Guillaume Faury, Dominik Asam and Hélène Le Gorgeu. Please go ahead.

Guillaume Faury

Thank you, and good evening, ladies and gentlemen, and thank you for joining us today for our Q1 2022 results call. I'm indeed with Dominik and Hélène here in Amsterdam, to run you through our Q1 results.

First, as I just said in the media call, I want to repeat that our thoughts at Airbus are with all people affected by the humanitarian crisis set off by the attack on Ukraine with massive casualties and millions fleeing from their homes.

At Airbus, our top priority has been as always, and remains to safeguard people and operations. Besides, in line with international sanctions, we suspended deliveries and support services to Russian customers and operators as well as the supply of spare parts to the country. For all our activities across all divisions, we are applying and will continue to apply the sanctions which are in place. The ongoing military conflict reminds our societies that peace, democracy and freedom can never be taken for granted. They need to be earned and need to be defended.

We expect to face additional complexity as we progress in 2022, not only resulting from the geopolitical tensions, but also from increasing impacts on global supply and logistics and in particular, in the context of the new COVID wave in China.

That being said, in Q1, we were able to deliver 142 aircraft, a plus 14% year-on-year increase. Commercial aircraft production ramp-up is progressing in this complex environment. Following an analysis of global customer demand as well as an assessment of the industrial ecosystem's readiness, we are now working with our industry partners to increase the A320 family production rates further to 75 aircraft a month in 2025.

Now back to the first quarter. Our solid financial results benefited from the effort on competitiveness as well as the impact from cost containment implemented throughout the COVID crisis, which we will progressively phase out as we have resumed activity. Our EBIT adjusted stood at €1.3 billion, and our free cash flow before M&A and customer financing was €0.2 billion. Our solid Q1 EBIT adjusted further includes a nonrecurring positive element of €0.4 billion related to retirement obligations, partly offset by €0.2 billion negative impact from the international sanctions against Russia.

During today's call, Dominik and I will update you on how we are impacted by the more complex than anticipated business environment.

When it comes to the impact from the international sanctions, our direct exposure to Russian customers is relatively limited across our product portfolio. And on the supply side, we see that our operations are protected over the short and medium term. This gives us the time to secure alternative solutions where needed. Nevertheless, given the increasing complexity of the environment, notably the worsening COVID situation in China, we will continue to closely monitor the risks we are exposed to, especially supply and labor as well as the associated inflationary pressures.

Based on our good Q1 results in Q1, we keep our guidance for 2022 unchanged, although our overall risk profile for the remainder of the year has become more challenging.

Let's now look at our commercial environment. As I said, we are operating in a complex environment, impacting global economic recovery, and we see a contrasted picture when it comes to the evolution of global air traffic. In China, domestic air travel has essentially deteriorated sharply and is currently around 20% to 30% of its pre COVID level in flight numbers. The deterioration of the COVID situation in the country is a concern. In the short term, this may start to impact the ability of some of our airline customers to take delivery of some of their aircraft.

Moreover, the geopolitical crisis is adding complexity. Even though airspace restrictions in Russia, Belarus and Ukraine itself affect a small portion of global traffic, the rerouting of international flights as well as increasing fuel prices have become a headwind for a number of our airline customers.

In contrast, air travel is coming back strongly and between all countries where travel restrictions have been lifted. This confirms robust underlying air travel demand. Even though the global situation is contracted for the quarters to come, we still expect commercial air traffic to recover to pre-COVID levels between 2023 and 2025 with domestic and regional markets leading the way. So no change on that front in spite of the complexity.

Let me remind you of our orders and backlog in Q1. We booked 253 gross orders, of which 243 single aisle and 10 wide bodies, confirming our strong commercial momentum. 7 out of the 10 wide bodies orders were for our recently launched A350 freighter. We saw 170 cancellations, which were already largely anticipated and embedded in our backlog valuation as of end of the year 2021. As a result, net orders were positive at 83 aircraft, and our backlog in units amounted to 7,023 aircrafts at the end of March 2022, including 5,821 A320 family aircraft. With regard to Russia, our backlog includes 13 A350 orders for Aeroflot.

Looking at helicopters. In the first quarter, we booked 56 net orders compared to 40 in Q1 last year, well spread across programs. We were also awarded by OCCAR an order for the Tiger MkIII program for 42 helicopters for France and 18 for Spain. In addition, we continue to see positive momentum for campaigns, mainly in our home countries.

Finally, in Defence and Space, in Q1, our order intake was at €3.2 billion, corresponding to a book-to-bill of around 1.3%. It includes the Eurodrone global contract signed in February covering the development and manufacturing of 20 systems and 5 years of initial in-service support for Germany, France, Italy and Spain. This signature kicks off the development of one of the most ambitious European defense programs, which will be entirely designed and developed from the start with our DD&S, Eurodrone. The result of collaborative work between the industry, OCCAR and the nations will strengthen Europe's strategic autonomy, and so will this product.

Additional orders booked in the quarter relate mainly to military aircraft. On the FCAS, the future combat air system, we are fully committed to the program, the importance of which is acutely evident in times of crisis. We continue to work towards launching

Phase Ib later this year, which is the next milestone for the success of this crucial European defense program.

On the Space business, we are closely monitoring the situation on all programs conducted in cooperation with the Russian state space agency together with our partners, customers and suppliers. Let me remind you that we no longer have access to the [previous] launches. In the meantime, preparation of 2022 Ariane 5 and legacy launches are progressing according to plans here.

While we are on the topic of space, I want to thank the teams for the historical agreement signed between ArianeSpace and Amazon [Airport] for 18 Ariane 6 launches over a period of 3 years, which illustrates the great potential of this platform. In the context of rising defense spending and a strong drive for European strategic autonomy, we stand ready to support the European government in this respect.

And now Dominik will take you through our financials. Dominik?

Dominik Asam

Thank you, Guillaume, and hello, everyone, from my side. Our Q1 2022 revenues increased to €12.0 billion, up 15% year-on-year, mainly reflecting the higher number of commercial aircraft deliveries and a favorable mix. Our Q1 EBIT adjusted increased to €1.3 billion, up from €0.7 billion in Q1 2021. The €0.6 billion increase includes a nonrecurring positive element of €0.4 billion related to the remeasurement of past service costs in our retirement obligation. On the other hand, an amount of minus €0.2 billion has been recorded in Q1, resulting from the impact of international sanctions against Russia. And it also reflects our efforts on competitiveness and the impact from cost containment implemented throughout the COVID-19 crisis.

Our Q1 EPS adjusted stood at €1.14 per share based on an average 786 million shares. Our Q1 free cash flow before M&A and customer financing was €0.2 billion, reflecting the level of deliveries, competitiveness and impact of cost containment, partially offset by an increase in working capital mainly driven by inventory increases.

On to the next slide regarding our profitability in more detail. Q1 2022 EBIT reported was €1.4 billion. The level of EBIT adjustments totaled a net positive of €0.2 billion, including a €190 million positive impact from foreign exchange mismatch and balance sheet revaluation, minus €11 million related to the A380 program and minus €13 million of other costs, including compliance costs.

Earnings per share reported include €166 million positive financial results. It mainly reflects the positive net impact from the revaluation of certain equity investments, partially offset by the revaluation of financial instruments as well as minus €76 million of net interest results.

The tax rate on the core business is around 27%. The effective tax rate on net income is 25%, including the tax effect on the revaluation of certain equity investments, partially offset by deferred tax assets impairments. The resulting net income is €1.2 billion, with earnings per share reported of €1.55. All in all, we were off to a very good start for the fiscal year 2022.

Regarding our hedging activities. In Q1 2022, $4.4 billion of hedges matured with associated EBIT impact at a rate of $1.21 versus $1.16 in Q1 2021. During the quarter, we implemented $2.5 billion of rollovers, mainly to adjust the 2022 intra-year phasing of our hedges. We also implemented $3.5 billion of forwards at a rate of $1.18, mainly for the years 2024 and 2025. $0.3 billion of hedges were disqualified to reflect the impact of the international sanctions against Russia, resulting in a negative impact to financial results. As a result, our total hedging portfolio in U.S. dollar stands at $87.1 billion with an average hedge rate of $1.25, unchanged versus December 2021.

Now let's look at our cash evolution in Q1 2022. Our gross cash from operations of €1.2 billion mainly reflects our EBIT adjusted as well as positive phasing of tax payments. The working capital increase of €0.7 billion, mainly reflects the inventory build to support the A320 family ramp-up, partially offset by favorable timing of cash receipts and payments. Year-to-date, the A400M continued to weigh on our free cash flow before M&A and customer financing. Q1 2022 CapEx was around minus €0.3 billion versus €0.5 billion in Q1 2021. Recall that the prior year's quarter included the acquisition of real estate assets in the U.K. We expect our CapEx to be around minus €2.4 billion in 2022.

Free cash flow reported was €0.2 billion. M&A activities accounted for minus €6 million, while customer financing represented an outflow of minus €46 million. The aircraft financing environment remains solid with sufficient liquidity in financial markets for our products. Going forward, the further cash in as in recent years will not be sustainable as we anticipate some usage of cash in this and the coming years.

Our net cash position is stable at €7.7 billion as of end of March. And our liquidity position remains strong and stood at €28.8 billion. In Q1 2022, Moody's and S&P both confirmed Airbus' credit ratings to respectively A2 and A and removed the negative outlook, reflecting our strong financial and operational performance.

Going forward, we will continue to adopt an active approach when it comes to managing our liquidity with the objective of maintaining our robust credit ratings. Now back to Guillaume.

Guillaume Faury

Thank you, Dominik, very clear. Now on to commercial aircraft. So in Q1, we delivered 142 aircraft to 48 customers. The net year-to-date delivery number of 140 reflects a reduction of 2 aircraft previously recorded as sold in December 2021, for which the transfer was not possible due to the international sanctions put in place.

Now when we look at the Q1 2022 situation by aircraft family, on the A220, we delivered 11 aircraft. We continue to ramp up and are on track for the rate of 14 that we envisage for the middle of the decade. On the A320, we delivered 109 aircraft, of which 58 A321, so more than 50%, you can make the calculation. Our production is progressing towards rate 65 by summer 2023 in a complex environment. As I mentioned earlier, we are now working with our suppliers and partners to enable a monthly production rate of 75 in 2025.

Airbus will meet the higher production rate by increasing capacity at our existing industrial sites and growing the industrial footprint in Mobile, in the U.S. with FAL, while investing to ensure all assembly sites are A321 capable.

On the A321XLR, we continue to work towards the first flight by the end of Q2 2022. Initially planned for the end of next year, regrettably, the entry into service is now expected to take place in early 2024. As I said in the previous call, we work hard with our customers to try to mitigate the impact of that situation.

On widebody, we delivered 22 aircrafts of which 16 A350 and 6 A330. As previously announced, we target to increase our A330 monthly production rate to almost 3 at the end of 2022. And on the A350, we continue to expect to increase the monthly production rate to around 6 aircraft in early 2023.

In March, I'm very happy to report that the first A380 flight powered by 100% sustainable aviation fuel took place. This is the third Airbus aircraft type to fly with at least 1 engine operating on 100% SAF after an Airbus A350 in March last year, yes, last year, March 2021 and an A319neo in October of last year as well.

Now let's look at Airbus commercial financials for Q1. So the financial reflects the net delivery of the 140 aircrafts. The 142 that I mentioned before, again, was reduced by the 2 deliveries under international sanctions. Revenues increased by 17% year-on-year, mainly reflecting the higher number of deliveries as well as a favorable mix. You have in mind what I said on the wide-body deliveries.

The increase in EBIT adjusted also reflects the efforts on competitiveness and our efforts on cost containment. It also includes the nonrecurring positive impact from retirement obligations as described by Dominik, partly offset by the impact from international sanctions. And helicopters in Q1, we delivered 39 helicopters, in line with Q1 of 2021.

Revenues increased year-on-year, mainly reflecting growth in services and a favorable mix in programs. EBIT adjusted also reflects nonrecurring elements, including the aforementioned positive impact related to the retirement obligation.

And to complete our review of Q1 2022 with Defence and Space, revenues increased year-on-year. It was mainly driven by Military Aircraft business and following the contract signature of Eurodrone in February. EBIT adjusted also reflects the impact related to retirement obligations, again, partially offset by the consequences of the international sanctions on the Space business.

On the A400M, we delivered one aircraft in Q1, which is the last of 10 ordered by the Turkish air force. We continue with development activities towards achieving the revised capability road map. Retrofit activities are progressing in close alignment with the customers. Risks remain on the qualification of technical capabilities and associated costs; on aircraft operational reliability, in particular, with regard to power plants; on cost reduction and on securing export orders in time as per the revised baseline.

Now moving on to the guidance. So let me remind you of our guidance. On the basis of this 2022 guidance, the company assumes no further disruptions to the world economy, air traffic, the company's internal operations and its ability to deliver product and services. The company's 2022 guidance is before M&A. And on that basis, the company targets to achieve in 2022 around 720 commercial aircraft deliveries, €5.5 billion of EBIT adjusted and €3.5 billion of free cash flow before M&A and customer financing.

This guidance reflects our expected growth trajectory and the investments we are making to prepare our future. After a good start in Q1, as we have shared with you, we see an unfavorable evolution in our risk profile for the remainder of 2022. The overall supply chain situation, the COVID situation in China, as well as the Russian invasion of Ukraine are making the road to a global recovery more difficult.

We are again in a period of uncertainty, volatility and complexity. And this brings me to our key priorities. Next page. Well, first, delivering on our guidance will remain a top priority in 2022. We will work hard to mitigate the risks and capitalize on our opportunities across our businesses. Moreover, we will continue to build more resilience relying on the diversity of our activities, the strong order backlog from our customers, the close collaboration with our supply chain as well as our capability to transform and innovate.

On our order backlog, we remain focused on filling the skyline for commercial business in the outer years. Here, we see a strong demand for our single-aisle program. We also see opportunities for the widebody segment, especially in the second half of the decade, in the context of increasing fuel prices and the need to decarbonize aviation.

For the military side of our business, the return of war in Europe clearly demonstrates that strong defense capabilities are vital for preserving peace and security. The strategic compass, as endorsed by the European countries in March, rightly underlines the importance to reinforce European defense by stimulating innovation and investments. Here, let me quote, "measures should be taken by the end of 2022 to promote and facilitate access to private funding for the defense industry, also by making the best use of the possibilities offered by the European Investment Bank." We welcome the clarity of this decision.

We at Airbus, with our long history of European cooperation, [indiscernible] to really to support our government and to make contributions to the strength of the armed forces of Europe and NATO.

Moving to the ramp-up of our A320 family, it remains, of course, one of our top, top priorities. After what we went through together in the past 2 years, I'm pleased to be in a situation to increase our rate to 75, which again will benefit the entire global value chain and will support employment, especially in our home countries and in the U.S.

Now I'd like to draw your attention to some important progress on our sustainability journey, which is at the heart of our company's purpose. In Q1, we engage with the SBTI, the Science-Based Target Initiative, and committed to setting science-based carbon reduction targets, including for our Scope 3 USP, used or sold product emissions.

We also officially launched a ZEROe demonstrator program with the objective to test a variety of hydrogen technologies, both on the ground and in the air. A key part of the multiyear program, the hydrogen combustion engine, will be developed by our partner, CFM International. The ZEROe demonstrator will be an important milestone to our road map to deliver the world's first zero emission aircraft by 2035.

Airbus' 4 sustainability commitments also include respecting human rights and fostering inclusion. On this topic, I'd like to highlight the release of our human rights policy, which defines our approach to human rights and forms the backbone of how we progressively embed respect for human rights throughout our organization and supply chain.

As I come to the end of my remarks, I headline that Hélène should have kicked off the call, especially with the safe harbor statements. I was probably a bit too enthusiastic and started a bit too fast. Hélène should I hand over to you to end -- it's another innovation today, to end by the safe harbor statement?

Hélène Le Gorgeu

Of course. So the supporting information package was emailed to you earlier, it includes the slides, which we have taken you through as well as the financial statements. During this call, we have been doing forward-looking statements, and the package you received contains the safe harbor statement, which applies to this call as well, the entirety of the call. And please read it carefully.

A - Guillaume Faury

So [the expert] safe harbor side as well.

A - Hélène Le Gorgeu

Absolutely, Guillaume. So we now start our Q&A time. [Operator Instructions] So Crystal, please go ahead and explain the procedure for the participants.

Question-and-Answer Session

Operator

[Operator Instructions] First question is from Mr. Ben Heelan from Bank of America.

Ben Heelan

So the first would be on the production rate increase. Can you talk a little bit about what's giving you the conviction that the supply chain can meet these higher rates? We've heard over the past couple of months about supply chain pressures all the way down different tiers of the supply chain. So what's giving you the conviction that the supply chain can manage those production rate increases beyond next year? That will be the first one.

And then secondly, on the XLR. Is there any color that you can give around exactly what the challenges are that you faced around the certification? And how should we think about extra costs and risks of penalties now that, that entry into service has been delayed?

Guillaume Faury

Thank you, Ben. I hope you're well. So on the rate 75, we have the demand side and the supply side. I think on the demand side, very strong demand and supported by all what we see happening. Your question, I guess, is more on the supply side. What is giving us the trust or what's the assessment that we have run with very large number of suppliers and the most important ones to determine if and when and at what speed this rate beyond 65 was possible. We've got a feedback that tells us that it's possible. Obviously, it's always possible to ramp up beyond a certain number, but in a certain time frame. And we see that from the rate 65 that we intend to reach mid of next year and 2025, this gives enough time to have a speed of ramp-up that is consistent with what the supply chain will be able to deliver.

Actually, we see on the short term, a lot of challenges, and we try to share them with you. But it's also linked to the fact that we are moving progressively out of the COVID crisis itself. So emerging from COVID creates this complexity on the supply chain. And we are as well -- on top the consequences or the implications of what's happening in Ukraine and the sanctions. But beyond the short term anyway, the midterm and the long term, that's what we have assessed with the supply chain, and we feel comfortable enough to launch that rate increase with enough anticipation. You might remember that I said we wanted to decide around mid of the year. Actually, we have accelerated because we had the indicators telling us it was the right moment and we had the conditions for launching that rate increase.

XLR, basically it takes more time. And that's unfortunately not completely uncommon in development of new versions of planes. A bit more time. We are coming close to the first flight. We are now way into the development phase. We have started certification, and we are obviously working with the certification authorities to go through the certification process, and we see that it's going to be going a bit beyond the end of 2023. So that's what we are sharing today.

When it comes to negotiation, it's customer by customer and each situation is different. So I won't want to comment on this one because I think I'm not capable of commenting and giving you a detailed color on that one, just to be honest, on your questions. But that's part of the relationship we have with customers, and this is going to move forward. I mean what we're announcing today is not changing the picture of the XLR program as a whole.

Operator

Next question is from Mr. David Perry from JP Morgan.

David Perry

Dominik, the first question is this. I mean -- or I guess all of our analysts and investors were sitting in front of similar spreadsheets. And when I tap the production rates in and tap in an FX rate of $1.05, it throws out some interesting numbers. I mean, I'm sort of trending towards €10 billion of EBIT in 2025 with civil alone. So I guess I'd just like to give Dominik the opportunity to tell me all the things I'm not thinking about, ramp-up costs inflation or anything to temper my excitement perhaps?

And then the second question is a much simpler one. Could you just comment on the titanium situation? I don't think you said anything or maybe I missed it.

Guillaume Faury

So thank you, David. I will take the easier one, the titanium. Because basically, there's nothing new on that side. We are developing secondary sources moving forward. You know that we are protected on the short and medium term. So that's basically the situation moving forward and there's no specific alert or color we can give at that stage. So that's the easy part. Dominik, are you excited to take the opportunity to answer the question?

Dominik Asam

Sure, sure. I mean you're right on the U.S. dollar. That is actually quite interesting for us, not so much in the near term because, as you know, we have a kind of rolling hedging policy where we try to dampen the effects of the volatility in the U.S. dollar-euro exchange rate by forward selling the future revenue, so to speak.

There is a slide in the deck, which I've commented where you can see that for the years '22 through '24, we have about a $20 billion per annum hedged portfolio against the exposure. So for the year '23, '24 that's not fully hedging the exposure, but to a large degree. In the -- you mentioned 2025, we show $13.3 billion forward sales as of March 2022, so a considerable part is hedged and the rate is at $1.25 still. But yes, as we approach 2025, and if rates sustain at such a strong dollar, we would be able to hedge in more attractive rates. And that is potentially a good offset to some of the downsides we are facing on the inflation side. So I think it yet remains to be seen how these 2 work against each other. But I think it's right to mention these 2 as a prime point. Otherwise, I think in all our guidance for 2025, you know that we have been guiding the year as we did. And yes, what is right is that the ramp-up provides opportunities to further significantly improve the margin.

Operator

Next question is from Mr. Tristan Sanson from Exane.

Tristan Sanson

Tristan from BNP Paribas Exane. There's going to be 2 follow-ups on the topics we just addressed. The first one would be on the inflationary pressure at Airbus, but also within the supply chain. Can you just tell us how you approach the topic and especially how do you deal with the situation when your suppliers themselves are under significant pressure from raw materials and labor and ask at the same time, to contribute to a continuous increase in production rates?

And well, the next question would be more on the quality cost or non-quality costs. Could you try to quantify for us or at least qualify the level of nonquality costs in A320 production compared to precrisis? What is doing significantly better and putting a number on that efficiency level compared to precrisis?

Guillaume Faury

Dominik, take the first one on inflation, and I'll take the second one.

Dominik Asam

Okay, sure. So on the inflation, I think, first, I want to highlight that what we've seen in significant energy price spikes and so forth is now embarked. We have seen a significant headwind from that in the bridge from '21 to '22, but I think it's taken care of. I'm not expecting any wild leaps there because now the procurement, so to speak, for '22 is quite well secured.

The issue with inflation is the compounding effect over many years. So it's not so much an issue in the near term, but if very, very high inflation persisted for several years in a row, of course, that will compound and that put pressure on us. We have, of course, prices locked into our backlog. We have certain inflation mechanisms, but they have limits. And then it's right that also our suppliers would come under pressure, then we have to see on a case-by-case basis how they deal with that. But I think it's a little bit speculative because nobody knows today whether we will see really high inflation way beyond the inflation target of the central banks for long. And the cost of quality, I think that was something...

Guillaume Faury

Yes, so the cost of nonquality is a good question, Tristan. Actually, compared to last year, and that's the review we've done recently, we've not seen the nonquality changing significantly. It's very consistent with last year. What is changing tremendously is the ability of our suppliers to deliver on time. And therefore, this is leading to a number of crises, disruptions and situation we have to manage, which are time consuming and they're quite expensive, and that's similar to what we call the acceleration cost, which is the ramp-up and the effect of the supply chain difficulties to follow.

And given the complex environment within as we call it, this is indeed very significant. But I'm not able to give an answer to where does it stand compared to pre COVID. I'm not sure -- Dominik, I look at you -- that we have really looked at it in this way. It's more trying to assess our cost to keep it as low as we can and making sure we have limited impact on the FAL -- ideally, no impact on the FAL to not slow down the ramp-up and we're also managing the crisis one by one, putting a lot of resources as soon as we see the crisis emerging to make sure it can be managed before, again, it's reaching the file and potentially having an impact on the date of delivery of the plane. And these efforts that is today higher than what it was in COVID -- in fact, far higher. I have difficulties to compare before COVID. So I'm sorry I cannot give an answer with substance. But the fact is it's significant. Again -- so we are in a comparable situation and we'll have figures to share.

Operator

Next question is from Madame Olivia Charley from Goldman Sachs.

Olivia Charley

Guillaume and Dom, I have a few, and I think a lot of questions have already been answered. But just to follow on, on the kind of cost inflation piece. Obviously, we've recently seen the settlement of some of the U.K. strike action, resulting in kind of wages increasing by 8.5%. Could you give us a bit more color on sort of how you're seeing labor inflation, particularly as we're in a kind of ramp-up period?

And then a second question, just on PDPs. Could you give us a comment on kind of the trends that you're seeing in PDPs in the first quarter and what you're expecting to see through the rest of the year, I guess, as we're seeing some normalization happening versus what we saw last year?

Guillaume Faury

Thank you for the questions. I'll try to address the first one, and Dominik, I guess you will take the one on the PDPs. So we are after 2 years of little increase of salaries given the COVID situation, the restructuring, what we call the [odyssey] plan, but that's something that we see as well in the rest of the industry, ramping up again, having delivered a strong 2021 in an environment where it's difficult to find the resources. And there is indeed more power on the side of employees in general and also good reasons to ask for salary increase when we see the inflation.

So it's no surprise that the level of salary increase we are giving and probably we will continue to give is going to be significantly higher than what it was in the previous years. And the challenge for us is to try to come to an agreement that makes sense for employees and makes sense for the company. And honestly, I'm very thankful to what the teams have done in COVID-19. I think they've done a great job in going through this very difficult situation and navigating, weathering the crisis we've been through. And therefore, we're trying to find that sweet spot that makes sense for employees and makes sense for the employer. But the figures, the numbers are obviously higher. And we are in a situation where, for instance, the inflation in Spain is 10%. So there's a diversity between the different countries we have -- where we are located. So in some countries, it's really high, and we want also to make sure our employees remain committed to the company, that they are loyal and happy with Airbus. And again, that's the sweet spot we try to find.

Dominik Asam

Yes. PDPs, if you look into our balance sheet, you see that the net of contract assets liability has actually given us a positive impact on cash flow statement. I think this is a sign that the high negative variance we had on the working capital on PDPs last year, which was still the overhang from the deferral activities and the COVID crisis has largely worked off. So we expect that kind of PDP -- net PDP flow to be more neutral this year. And with the ramp, there is also some increase in trade liabilities, which will help to offset the inventory increase in our working capital.

Operator

Next question is from Mr. Christophe Menard from Deutsche Bank.

Christophe Menard

Two questions. The first one is on the profile to get to 75, is it -- are you planning to be at 70 in 2024? Or is it a different profile? I will follow up with the second question afterwards.

Guillaume Faury

It's a bit premature to give you the number of deliveries per month in '24 and '25. We intend to reach the rate of 65 middle of next year. That's an important data point and then the 75 in '25, and we'll do this progressively as we move forward. So no specific figure to be shared on the precise date with the precise number, I'm sorry -- except middle of '23, 65.

Christophe Menard

Okay. The second question is completely unrelated. It's more in defense and space. It's -- I mean, I was wondering in the context of cybersecurity being so important right now, what is your strategy with regards to your cybersecurity entity, which appears probably a bit small versus other peers? Could you share with us your strategic vision around this subdivision, I would say?

Guillaume Faury

Yes. So first and foremost, we want to be protecting our products, our services and therefore, our customers. So there's a lot of our cybersecurity resources, skills, talents, capabilities that are focused on protecting those assets and therefore, serving customers with cybersecured solutions. And that's a very important part of what we do.

On top, we are selling cyber services to third parties, to external customers, and that's also something we do, and that's what we do in our cybersecurity business, which is embedded in our Airbus Defence and Space division because then those cybersecurity services are addressing mainly and first and foremost, our governmental customers, that are also customers with whom we work on the defense, on the space, on the military aircraft. So it's targeted to those customers.

Moving forward, we want to be doing more of this, I mean, of protecting our customers and serving our customers, and this has to be seen in combination. We are not trying to be bigger than others in cyber services to third parties, we want to be excellent on what we do on our platforms, on our other services and again, serving these critical customers as good as we can where it makes sense.

Operator

Next question is from Mr. Douglas Harned from Bernstein.

Douglas Harned

The first question is on some of the deliveries you've had where you actually -- you haven't completed a physical delivery, yet you've transferred title and counted it as delivery. We saw this Aeroflot issue with the 2 airplanes.

And so what I'm interested in is, I believe, you have some like that with China. How many airplanes are -- do you have in that state in a sense not physically delivered? And do you see any risk around those airplanes as we go forward with those deliveries? That would be the first question.

And then the second is a follow-up on the A321XLR. If you go back about 3 or 4 years ago, there were questions discussed around safety of -- with customers. I know the safety of this new design with the fuel tank. And was it a surprise to you to see this come up with EASA now? And is it something that also is being done in parallel with the FAA, given that the FAA has become much more -- much deeper in the scrutiny of a lot of certifications lately?

Guillaume Faury

Dominik, do you want to take the question on the ADA?

Dominik Asam

Yes, sure. So the advanced delivery agreements where basically we have a situation, for instance, when a lessor is taking delivery, but the customers aren't able to pick it up at that point in time. As a typical example, now we have the Aeroflot also as an example, it's a situation where really the full aircraft price is paid, where all the acceptance process is run through in terms of inspection and acceptance by the customer. So it's purely a kind of mechanical automatic transfer at a pre-agreed date, which needs to happen. We don't have a lot of these aircraft in storage. The number is fluctuating depending on certain customers. But I do not consider it as a material risk. I think it was truly exceptional because of the so-called frustration of the contract to now simply physically do or we are committed to do to simply hand that thing over to the customers, just frustrated because of the sanction.

Guillaume Faury

It's a very specific case linked to the fact that the aircraft was paid, the transfer of title was done. But the physical move was no longer possible because of sanctions preventing that physical move, and that's really exceptional.

On the XLR, indeed, the EASA and the FAA are cooperating and working together. And there is a primary certification authority that, for Airbus, is EASA. So we are primarily working with EASA, and we are moving forward in the development and the certification process like we do for other products and there are some modifications that are quite conventional, others which are a bit more specific to this variant of the plane. Basically, that's the classical development and certification process that we see moving forward. Unfortunately, in those situations, it's not rare and that we have to take more time to fully comply and to demonstrate the -- on paper with [comm test] and with flight test the compliance of what we design and produce with the requirements. That's basically where we stand today. Nothing that I would consider exceptional. It takes a bit more time than what we had anticipated at the beginning.

Operator

Next question is from Mr. Robert Stallard from Vertical Research.

Robert Stallard

A couple of questions from me. First of all, Guillaume, you mentioned China as a risk. And I was wondering if you'd seen any actual delivery delays as yet from Chinese customers. And just maybe an idea of how many planes you have scheduled for delivery in 2022? And then secondly, on the XLR, just a follow-up. Do these changes potentially add weight to the aircraft and impact the targeted range of the plane?

Guillaume Faury

I think we have sold the same number of deliveries planned for 2022 than what we had in 2021 for the Chinese customers, roughly. So in numbers, which is a smaller proportion given that we ramp up the delivery in 2022 compared to 2021. Yes, China is a risk because of the Omicron situation. And we don't know how long the measures, the restrictions, the lockdowns and the quarantines, which are in place today will last. And it has an impact on the short-term ability of the airlines to come and take delivery, but also on their own financial situation if a very low air traffic that we observe today in China keeps extending to the second quarter and the third quarter. That's why we are monitoring the situation in China very carefully.

The only good data point we have is the way it was managed in 2020. And you remember that we were in a rather similar situation -- that was recovered later in the year. And finally, we found our way forward and to some extent as well last year. So that's why we see it as a risk, but it's a kind of risk which has been managed in the previous years. And therefore, we need to see how it plays out this year.

On the XLR, we are in the development of the product. Is this impacting the weight of the range? I don't know what you mean by this. It's the development of the plane. It's the development of a variant. We have taken commitments to our customers when it comes to the flight and mission performance, and we want to stick with those commitments, and there's nothing to be reported here. That's just the time it takes to get there that is a bit more than what we were expecting before.

Operator

Next question is from Mr. Charles Armitage from Citi.

Charles Armitage

Just looking at the sort of puts and takes in the quarter. At the end -- in your full year presentation, I think that your expected FX rate was $1.24 for Q1, and it came in at $1.21. So that's probably €100 million tailwind. You had €400 million write-backs. You had €200 million negative from sanctions. So that's sort of €300 million tailwind, if you will.

And then you've got the other couple of things just would like some comments on is the competitiveness, the increased competitiveness, which is presumably permanent, but also the cost containment which you mentioned would gradually decrease. Can you give any idea of the headwind going forward as that cost containment decreases, please?

Dominik Asam

Sure, Charles. So first of all, Q1, as you rightly say, reflects €0.2 billion of the Ukraine crisis, but we have to stress that, that is only kind of the immediate impact on the balance sheet. There are certain effects which concerns -- that remain to do, the remaining 3 quarters of the year, which are actually more significant than the €0.2 billion. So there is more to come as headwind from missing deliveries that were planned but not materializing to Russia for instance and also some impact on the space business, as we mentioned. So that cannot be extrapolated, so to speak. So there will be more -- it's not a pure one-off, but there will be more headwinds during the year from that.

So we will meet the outperformance, which I think you referred to in the Q1 to mitigate the negative impact from the Ukraine crisis. And on the other hand, the €0.4 billion of this remeasurement in pension liabilities is a clear one-off, which will only occur once.

So from that perspective, I think as we said, the guidance is really -- has become more challenging, and the risk profile has been more acute because of the pressure that has been put on the fiscal year '22 by the Ukraine crisis. Maybe a last question?

Operator

Last question is from Mr. Harry Breach from Stifel.

Harry Breach

Guillaume, Dominik and Hélène, just 2 simple ones, hopefully. Maybe, Guillaume, the last couple of months since we spoke for the full year earnings, clearly, there have been 1 or 2 geopolitical events which can change how customers think about fleet planning. So can you tell us how you're seeing the current level of sales campaign activity for Airbus?

And then completely separately, just thinking about the inventory of completed but undelivered aircraft, Dominik, my math is bad at the best of times, but if I think about the number you talked about in February, which I think was a little bit under 100 and the deliveries in the first quarter and your production, should we be thinking about around 100 units at the moment that are completed but undelivered? And can you give us your best idea today given what's changed in recent months about when that 100 units might return to a more normal level, which I think in the past, you guys have said might be closer to sort of 30 or 40 aircraft?

Guillaume Faury

So Dominik will answer your second question, and I will take the first one, and I will be quick on the first one. The momentum on the sales campaigns remains very strong. And yes, a number of events have taken place. But still, we see a very strong momentum.

Dominik Asam

So on this undelivered finished aircraft, yes, we deliberately have been kind of not extremely vocal about that as we progress because it was really a thing that was making sense to comment when the demand side was the problem for taking the delivery. Now it's more coming to the supply side. And I mean that, in some aircraft, you have basically invested all the capital and they're close to finish but don't qualify for the category anymore because maybe a part is missing.

So with the supply side becoming more of an issue, the number becomes actually meaningless. I think you should really focus then on inventories we disclose and all that. But it has not materially changed, I would say, from the levels we had in the prior quarters.

Hélène Le Gorgeu

This concludes the conference call for this time. If you have any further questions, please send an e-mail to Philippe Gossard or myself, and we will get back to you as soon as possible. Thank you, and I'm looking forward to speaking to you again soon.

Guillaume Faury

Thank you, everyone. Bye-bye. Have a good day or good evening. Thank you.