

Questions and answers VEB

Airbus has a liquidity position of approximately EUR 30bn according to a presentation held by the company on 23 March 2020. Could you give an indication of the company's monthly cash burn in a worst-case scenario in which there are no pre-delivery payments and deliveries of aircraft?

The so called current cash burn is difficult to assess as Airbus has historically a strong seasonality in its cash profile. For our cashburn we are actively adapting our production to airlines new situation and we are working on operational and financial measures. We will implement measures to minimize our cash outflow with adequate production and deliveries synchronization, with deferring and suspending all non-critical activities and capital expenditures, with freezing hiring, with reducing the number of temporary workers and with managing our capacity with "chomage partiel" and "Kurzarbeit". The scenario you are making up with no deliveries and no PDPs paid is only a theoretical scenario as we still expect to deliver aircraft and to get PDPs. Nevertheless we actively and very cautiously analyze the situation.

In its 2019 registration document, Airbus states: '*operational scenarios, including measures to minimize cash requirements, have been identified and will be activated depending on the further development of the pandemic*'. Could you be more specific on the identified measures and the potential (cash) cost reductions that could be achieved if the current situation endures or worsens?

In the coming quarters, we will continue to focus on cash preservation and will be reducing cash outflows with the aim of stopping the net cash consumption by Q4. Besides CapEx cuts, the activated measures include the deferral and suspension of activities which are not critical to business continuity and to meeting our customer and compliance commitments. We have scrutinized our FY 2020 CapEx and decided to cut it by about € 700 m. So we are now expecting around € 1.9 bn.

Until today Airbus has been vocal about the fact that it has not requested help from (European) governments. What is the likelihood Airbus can survive without government support shouldn't the current situation materially improve over the next six months?

Today we have not asked for any direct financial intervention, nor have we asked for any increase in the States' shareholding in Airbus. We expect the States to look after the airlines first and foremost, because the urgency is there. We are advocating that credit agencies, such as Coface, take more risk to guarantee airline financing. And thus preserve the ability to export our aircraft. We are also actively discussing with the public authorities to support the industry in order to help it adapt in the long term, in particular through partial unemployment measures.

How many customers tried to cancel orders over the past weeks? Do customers still make prepayments? Do you believe the ability and morale of customers to make advance payments will deteriorate in the foreseeable future if current conditions weren't to improve?

In Q1 2020, cancellations were at reasonable levels. We recorded 66 cancellations, which represent a lower level than Q1 2019. However many customers are asking to defer their

deliveries or are simply physically unable to take delivery of their aircraft. We are adapting to the new reality as fast as possible to find the best solutions.

Some more details: after a solid commercial and industrial performance at the beginning of the year, Airbus announced on 8 April 2020 the revision of its production rates downwards to adapt to the new Coronavirus market environment. In Q1 2020, Airbus booked 290 net commercial aircraft orders and delivered 122 aircraft. Airbus logged net orders in March 2020 for 21 commercial aircraft (60 gross orders) from its A320 and A350 XWB product lines. During the month of March, 36 deliveries were made from the A220, A320, A330 and A350 XWB aircraft families.

As substantial part of the Airbus's cash balance is comprised of advance payments made by customers. Could there be a legal (contractual) obligation to refund (part) of this cash to customers as the current crisis could be interpreted as material adverse condition? Do you believe Airbus has a moral obligation to refund prepayments of customers (airline companies) that are on the brink of bankruptcy?

The Airbus standard contract does not contain a generic clause allowing the customers in the current Covid-19 situation to request the refund of the pre-delivery payments they made.

Should Investors in Airbus be concerned that the company will put the long-term relationship with customers at risk by enforcing them to respect contractual obligations?

We are working closely with all our airline and lessor customers to better understand their individual circumstances and their delivery requirements over the short-term. Our customers are our long-term partners and we always try to find the best solution for them and for us, but of course we expect them to honor their contractual commitments.

For the foreseeable future, global air traffic will be severely impacted by coronacrisis. Do you believe this setback is temporary, or should Airbus prepare for a systematic transformation of the industry in which there will be a structural lower demand for new aircraft? Do you believe the demand for wide-body aircraft - often used for long-distance intercontinental flights - will be structurally impaired?

This is a global crisis on a scale never before experienced by our generation. We're assessing the longer term market for new airplanes. We're collecting all kinds of data to feed forward-looking simulations and models as we try to estimate the shape and speed of the recovery in passenger traffic. Overall, aviation is a long-term business and after the crisis we are convinced people will want to and still need to fly. We also remain convinced we have the right product portfolio to maintain our lead position in the current context. Our strong A320 competitive position in the Single Aisle market including the XLR version is of particular importance since we expect this segment to recover ahead of the Widebody market.

In its 2019 registration document, Airbus states it: '[...] highly welcomes governmental efforts around the globe to stabilize the industry by supporting the financial health of its airline customers and its suppliers.' Government support, however, might be conditional on commitments of airlines that might lower demand for new aircraft - for example, commitments regarding environmental footprint reductions or (future) solvency levels. Is it fair to assume this will structurally lower demand for aircraft over a number of years?

Today it is too early to draw a conclusion. Potential support packages are not yet defined. On 8 April 2020, Airbus announced new average production rates going forward: A320 to rate 40

per month, A330 to rate 2 per month and A350 to rate 6 per month. This represents a reduction of the pre-coronavirus average rates of roughly one third. With these new rates, Airbus preserves its ability to meet customer demand while protecting its ability to further adapt as the global market evolves.

In early April, Airbus announced it would cut production rates by 30 percent. Do you still believe this reduction is sufficient, or have circumstances deteriorated further since the release of the statement?

Based on our best assessment of the overall situation, we have decided early April to adapt our commercial aircraft production rates, downwards by roughly one third, while protecting our ability to further adapt as the global market evolves. We will review these production rates when necessary and adapt accordingly if needed. We think by June we will be more educated than we are today.

Only a few months ago, Airbus's key challenge was to ramp-up production, and as a result, suppliers invested significant sums in increasing capacity. As Airbus's production rates are falling rapidly, this capacity will sit idle, putting pressure on margins, potentially leading to the financial distress of (smaller) suppliers. Is Airbus considering to provide financial support to critical suppliers to avoid bankruptcies? If so, could you give an estimate of the costs - that is: cash outflow, for Airbus - involved?

First of all our industry is a complex ecosystem with many different parts and we are doing our best to synchronize those parts in a COVID-19 environment which is still evolving. So we are in constant dialogue with our customers, partners and suppliers. We need to navigate this crisis with them together. Some suppliers were already weakened before the pandemic by the crisis with the 737 Max, whose production was stopped by Boeing last January. We need our supplier ecosystem to survive. Aeronautics is a highly integrated industry: more than 70% of our costs are external costs. A large number of Airbus key sourcing countries are offering state support to their resident suppliers. We are orienting our suppliers towards these solutions. Airbus also acts in liaison with industry associations such as GIFAS/ BDLI /ADS to advocate that they step in, offer support and bring into play the solidarity of the sector. We could help our suppliers on a case by case basis. But we don't want to be the path of least resistance. First, it will be necessary to release financing and bank and public aid to support them. In case we have to provide financing, it will be very selective.

What will be the long-term consequence for the industry in general and Airbus specifically if critical suppliers go bankrupt due to coronavirus?

See answer to question before.

The extreme decline in air traffic will likely result in less maintenance. How severe will the impact on Airbus's after-service-sales business be?

Our share of service business as for FY19 was 6% of our commercial aircraft revenues. As services are correlated to airlines activity level, services might be affected but our exposure on aircraft deliveries is way higher. Services activity is likely to restart in parallel of airlines traffic.

According to the 2019 registration document, Airbus is suspending the voluntary top-up pension payments. Is this appreciated and accepted by the pension fund?

As part of our cash saving plan we have obtained the authorization of the Board to suspend the top-up pension payments. This suspension of the voluntary top-up funding is only for the deficit gap and Airbus has the freedom to decide on the level of contribution. We are still funding the other pension commitments. When we have more visibility and based on future interest rates and assets we will assess this gap again and propose the necessary next steps.

Recently production was hit as Airbus has had to take hygiene measures. Could you indicate the impact of the new way of working on productivity levels and operating profit margins?

At the beginning, production efficiency may be low, even sometimes very low. We plan to recover efficiency later. Our priority is to adjust production rates and to preserve cash. We want to strictly comply with all health and safety requirements while we do that.

Given the limited visibility, VEB fully understands Airbus's decision to withdraw the 2019 dividend. What specific conditions should change before a resumption of the dividend is considered?

We are committed to securing the liquidity of the Company at all times through a prudent balance sheet policy which allows us to manage both risks and opportunities. So we decided to withdraw the 2019 dividend proposal with a cash value of EUR 1.4 billion. Our dividend policy foresees a payout ratio of 30 to 40% of Net Income. We will assess our ability to pay dividends based on the results achieved in a given year and the then prevailing outlook. As the Corona situation is still evolving we cannot make any forward looking commitment.

Due to the depressed share price of Airbus - in theory - share buybacks could be more value-accretive than dividends. Will you consider share repurchases instead of dividends if the environment materially improves?

It is too early, our priority is preserve our cash position. Our capital allocation policy will be reassessed when we have enough visibility after the COVID-19 crisis.

In February, Airbus stated that the crisis at Boeing created an opportunity to modernize the manufacturing system. At that stage, according to the release, Airbus was preparing for the launch of a new, greener, aircraft, the launch of which could possibly be as early as in 2025. Entry into service could then be for beginning of next decade. Airbus spent EUR 2bn annually exploring the technologies towards its stated ambition to design the first carbon neutral aircraft. Are these developments affected by Corona crisis? If so, can you indicate whether there is a schedule for a cascaded deferral?

Airbus will slow down investments short-term for cash purposes. As soon as we have more visibility and room to invest again, we'll be back on those topics probably with more speed on some of the projects. To compete we will clearly put environment at the top of our priorities. Many airlines have understood that CO2 reduction is a must. The crisis is potentially an opportunity to accelerate the transformation of the fleet or reduction of the CO2 footprint per plane. The most forward looking customers want to have low emission planes with low fuel burn.

Have the wide range findings and conclusions in the Boeing security analyses connected to the 737 Max crashes caused any reason for Airbus to perform novel or additional due diligence procedures on the overall safety and soundness of its built aircraft prior to final delivery?

As for any accident/incident, including non-Airbus aircraft related events, Airbus has conducted a review of the findings & conclusions related to the various investigations of the 2 B737 MAX accidents:

- There are significant design differences between the B737MAX and the Airbus Fly-By-Wire family aircraft (from A320 onwards up to and including the A350), such that the B737MAX MCAS scenario is not applicable to Airbus aircraft.
- There are differences in the Certification & Continued Airworthiness Process between the US ODA principles under the FAA Authority and the European DOA principles under the EASA Authority. However, Airbus is part of an industry task force which aims at reviewing in detail all findings and conclusions which are certification related in coordination with EASA to ensure further reinforcing development & certification best practices.

We have also started implementing an internal Safety Management System in anticipation of the future SMS requirements for OEM for which we contribute actively across an industry working group.

SMS also includes an internal Safety Promotion pillar to ensure the continuous reinforcement of the employee safety culture.

Are coronavirus and the related uncertainties, according to EY, occurrences giving rise to serious doubts whether Airbus can continue its business activities? Put differently; were the auditor to have expressed his continuity-statement in March 2020 rather than in February 2020, would that have made a substantial difference?

As in previous years, EY have audited management's assessments to apply the going concern assumption in the 2019 Financial Statements of Airbus SE. Based on these procedures EY has concluded that at the date of the financial statements management's assessment was appropriate. After the date of the financial statements events can occur that may impact the going concern assessment. The spread of the COVID-19 virus and the impact on Airbus SE is one of those elements that have to be taken into account. In the upcoming audits EY will also perform procedures on management's assessments to apply the going concern assumption and will take into account facts and circumstances that are considered relevant including the impact of the COVID-19 virus.