

## **Le Bourget press conference**

**Tuesday 14<sup>th</sup> June 2005**

Ladies and gentlemen, good morning. I'm very pleased to be here this morning with you again, together with my colleagues from the Airbus management team, Gustav Humbert, John Leahy, Gérard Blanc, Andreas Sperl and Philippe Delmas. I am here as Airbus President and CEO to talk to you about the Airbus business and will therefore refrain from any comments on other matters which belong to shareholders. Airbus has built its success in focusing on customers, products and profit, and so did we during the last six months. Yes, there can be gusts and storms, but Airbus knows its course and does not lose its track, as you will see today and all along the week.

### **Market**

The first thing I want to point out is that the market is really picking up. In the first five months of 2005 the total – Airbus+Boeing - order intake has been 473 aircraft when it was 647 for the whole of 2004. This is really a good sign for the industry as a whole. While the US network airlines are still restructuring, elsewhere in the world airlines have restructured and are making profits. In Europe the trend is good, and it is excellent in the Middle East. It is even better in Asia where everybody can see the formidable traffic growth potential. China and India should be the drivers of growth in the future, both for established carriers and for the growing number of low cost carriers which bring to air transportation populations that would never have dreamed of flying before.

In this up-beat market, we still need to avoid confusion between hype and reality. To claim expectations is one thing, to close deals is another. As usual, Airbus is focused only on the real orders, those with purchase agreement signed, authorisations granted and money in the bank. In this real world, Airbus has got a 42% market share for the first five months of the year, with 196 gross orders. This figure calls for three remarks:

One: I have always said that we wanted to be at half the market on average, and that this would mean remaining in the 40 – 60 % band. What drives us is bottom line and I am happy to remind you that we reached a 12% EBIT in the first quarter of this year which is almost twice as much as the competition in spite of our heavy investments in R&D and new products. The price war led by the competition will no doubt give them orders, but we want the money : we are a listed company not an arsenal !

Two: it is also interesting to look at what these orders are made of. The 196 orders we got so far are all for existing aircraft from our modern airliner Family, that is to say for the running business. If you compare the orders for the aircraft currently in

production in Boeing, the picture is very balanced. Actually we outsold our competitor in the 275 plus seat category for long ranges, selling 17 A330/A340s, giving us a 61 % market share, continuing to position them as the leading aircraft in their categories. We dominate as well in the category above 375 seats, that is that of the A380. And in the single aisle category we are neck to neck, with 47% so far. This means that when comparing apples to apples, we are on a par, with 49% market share in number of aircraft and more than 50% in value.

Three: the year is not over by far and, actually, not even the week ! We have some major deals in the pipe and many important already achieved that are not accounted yet. Moreover stay tuned during the week on A320, A330, A350, A380, you will hear of major announcements in each category. By the way our competitor said yesterday that Boeing was ahead of Airbus for 99% of civil aerospace history. One may notice that this confirms Boeing to be a company of the past ! More seriously, let's wait for the final score of 2005. We have been ahead for the last five years and the game is not over. We do not chase market shares for themselves but if we can get them at reasonable economic conditions, I take the challenge !

### **A350**

What makes the difference as of now is the firming up of new orders for Boeing's new 787. After a difficult start, this aircraft has gained momentum. Of course some of the largest orders, like 80 from Japan, have been won without competition, but others have been at our expense. That is competition and that is what we like. And I hope my colleague Alan Mullaly enjoyed the period, because it is over now.

We now have a really new product in the 250-300 seat category which is attracting a huge interest from airlines. I am confident that by the end of the year we will reach about 200 commitments, which is quite impressive over one year of sales. As of today, we already have significant commitments on all continents. Yesterday, Qatar has announced its choice for 60 A350. A few weeks ago US Airways has announced its decision to buy 20 A350 as soon as its merger with America West will be completed and, almost a year ago, the Spanish carrier, Air Europa, was our very first announced deal for 10 aircraft. So this is already 90 and more will come in the week which we shall end above a hundred.

This is quite a fast start if you realise that we have begun to market the aircraft 6 months ago only. Keep that in mind when you want to make comparison with an aircraft offered since two years !! I will not go into the technical details of the aircraft during this press conference, and you will get separate briefings on that in our own press centre this afternoon and tomorrow. However, I want to stress that this success is solidly grounded in the merits of the product

The A350 is a really new plane, with 90 % of its manufacturing part numbers being new, a new carbon fibre wing, a fuselage made of aluminium lithium, giving the aircraft a structure 60 % made of advanced materials, a new landing gear, a new cabin, and so on, and so on. That's why we shall spend some 4.35 billion Euros on

this, to make it the best aircraft in this category. It's going to be available in two versions and will offer more range, more seats than the competition, and above all will be unbeatable in terms of fuel consumption and cash operating cost per seat. On top of that, our engineers have managed to make this new aircraft type compatible with our existing long range family as customers have requested.

Such a successful combination may explain the extreme nervousness of our competitor. You may notice, for instance, that they have pushed the US Government to sue us at WTO precisely at the moment we were consolidating the launch base of the A350 and getting the support of our shareholders. But this is probably a coincidence...

Aside of the A350, there is one member of our product range which deserves a special mention, and that's the A380.

### **A380**

You all, I'm sure, either witnessed directly or via television, the first flight of the A380 on 27<sup>th</sup> April. This was a historic day, and the A380 will mark aviation, as did the venerable 747 which was the flagship of the 20<sup>th</sup> century.

We are very pleased with the first results of the flight test campaign. The aircraft is flying intensely, more than any of our new aircraft over a similar period, and has already performed 93 flight hours in 21 flights by the end of last week. It has already flown up to its maximum speed of Mc .89 and reached its maximum cruise altitude of 43,000 ft, and it behaves very well. First results show that the structure is very sound, the flight controls are already regarded as very good, and the first auto-land was already performed less than a month after first flight. Overall our test pilots are very happy with the handling of the plane which they claim flies like any other member of the Airbus fly by wire family. "It feels solid and purposeful, but with the precision of a sports car", they told me. First indications regarding performance and fuel consumption are also very encouraging, being in accordance with prediction for this first development aircraft to come off the line. This, in turn, gives us great confidence that we are meeting the guaranteed performance.

As everybody knows, there is a moderate shift in the programme. The fact is that we've deliberately set ourselves a very tight schedule, knowing full well that this would be hard to match. But there's still no better incentive than putting stringent objectives to get the highest productivity and efficiency. Thanks to that policy, the Final Assembly started on time which was a real achievement. But I have to admit that we also have some industrial issues and delays, especially on the electrical wiring front, which we are in the process of recovering throughout the organisation. And finally with certain customers there is the sophistication of the cabin definition, which impacts the electrical harnesses. This is only a side effect of the outstanding possibilities our cabin offer, which, I can tell you, is a real asset for our customers.

In order to have a global view on the schedule, we preferred to have the first inputs from flight test and know how these were going. We made a complete review of the situation and are now in the process of informing all customers. All this leads to a shift of a few to up to six months depending on the individual situations of each customer who are currently being informed. In any case, our objective is to deliver the first aircraft to first operator Singapore Airlines in the latter part of 2006.

This is the situation. We are not shying away and are addressing the issue, but I can assure you that the A380 is really a magnificent plane, and our customers are eager to take delivery of it. And the flying display of the A380 you are able to witness at this early stage of the programme is a testimony to our pilots' great confidence in the capabilities of the A380.

Regarding the financial results in 2006, the delay in the programme will not have any significant impact. Let me just re-assure you that, with the increase in production rates planned for next year, with the reduction in yearly development costs for the A380, while the expenses for the A350 are just beginning, we shall continue to have very positive results and a positive cash-flow. Last year we delivered 320 airliners, and for this year I have announced that we shall deliver between 350 and 360. Actually, it will be at least 360. And this figure is going to increase by at least another 10 % next year. We are increasing our production rates throughout and are going to reach an output of 30 Single Aisle planes a month in the first half of 2006 and that of eight A330/A340s a month by the beginning of this year. We are fully on track to achieve this. This production rate increase is also linked to great productivity gains implemented on the production and final assembly lines with lead time reductions for greater flexibility, allowing us to be in line with our cost saving plan called "route '06".

In this context may I just draw your attention to the following, which will be the best evidence that we remain totally focussed on the business: in the first quarter of 2005, Airbus registered almost € 5 billions revenues, which correspond to a 21 % increase over the same period of 2004. Moreover, the operating margin has doubled, and is at 12.6 % compared to 5.4 % in the first quarter of 2004. All this as per EADS published figures.

As you can see, Airbus is indeed in a strong position, with the most modern - and only – comprehensive Fly by Wire airliner Family to be readily available for the first half of the 21<sup>st</sup> century, with a strong backlog, a highly efficient production tool, as well as strong in-house engineering. And with all the productivity increases we've implemented over the past few years, you can imagine the impact if the dollar goes back to more normal rates... But at this stage I don't want to speculate on that.

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