

Focusing on Customers

Airbus Helicopters' top priority from a customer support and service perspective is to ensure its work results in the best customer experience possible. In 2019, the Division focused on digitisation, analytics and integrated global contracts, such as HCare Smart and HCare Infinite, as key ways to help customers increase availability and mission success, optimise their costs, lower the maintenance burden, and enhance the safety of their aircraft.

With customers at various stages of the digitisation journey, Airbus Helicopters has invested in new services that help operators make the most of their data. These range from setting up the basics of a paperless organisation, to capturing and storing the rich troves of data generated by each flight or activity, to then applying data analytics for better decision-making. By the end of 2019, around 1,000 helicopters were sharing data with Airbus Helicopters. Likewise, the number of helicopters covered by an HCare Smart or Infinite contract increased by approximately 10%, with around 95% of HCare Smart parts-by-the-hour and full-by-the-hour customers opting to extend their contracts with Airbus Helicopters.

Delivering Safety

Airbus Helicopters' chief priority is to enhance flight safety for the thousands of men and women around the world who are transported in its aircraft every day. It is envisaged to, by 2028, reduce by 50% the accident rate and have no technical contribution to accidents. Airbus Helicopters also aims to be the forerunner of Product & Operational Aviation Safety breakthrough.

In order to achieve these goals, Airbus Helicopters strives to:

- define and develop new safety measures and initiatives to support the safe operation of its aircraft by customers;
- introduce design changes for all families of helicopters with a strong emphasis on safety criteria and leveraging big data to detect weak signals.

This commitment to safety is also reflected across all divisional internal activities involving the lifecycle of a helicopter, with focus on meeting industry quality and safety standards with an emphasis on safety culture development.

Market Drivers

According to market forecasts produced by Airbus Helicopters, around 22,000 civil helicopters and 14,000 military helicopters are expected to be built globally over the next 20 years. Overall, the global helicopter market is still evolving in a challenging environment.

Helicopters sold in the civil and parapublic sector, where Airbus Helicopters is a leader, provide transport for private owners and corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Thanks to its existing mission segment diversity, the helicopter market (both Platforms and Services activities) is expected to be resilient through the coming decade, even though one of the key segments, Oil & Gas (in value), continues to experience challenging conditions. Airbus Helicopters expects market to remain challenging in the short term but believes that the demand over the next 20 years will be driven by large replacement needs from advanced economies

and by growth from emerging countries (especially in Asia still largely under equipped). Airbus Helicopters' market data indicates that in 2019, worldwide deliveries of civil and parapublic turbine helicopters of five seats and above stood at ~450 units. Demand for military helicopters and related services is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Airbus Helicopters believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the ongoing introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement in the medium term. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and may be limited, due to budgetary constraints on public spending in some regions like Western Europe and Middle East, while other regions like Asia Pacific or Eastern Europe are expected to continue to grow. Despite recent threats and a growing geopolitical instability, which has accelerated military spending and a reassessment of defence budgets, the military market is still low in 2019. Economic difficulties (*i.e.* low commodities prices), saturation of the Western countries markets as well as priorities given to operational needs (*e.g.*, spare parts, availability improvement) have resulted in a decrease for all mission segments. According to Airbus Helicopters' market data, worldwide deliveries of military turbine helicopters have decreased to 560 units in 2019.

Competition

Airbus Helicopters' primary competitors in the civil and parapublic sector are Leonardo and Bell Helicopter.

The civil and parapublic sector has seen more local competitors in recent years (China, India, Japan, South Korea, Turkey). Airbus Helicopters has maintained its leading market share (in bookings of 2.0t helicopters and five seats and above), in a low market, with 60% in unit in 2019, followed by Leonardo and Bell with respectively 16% and 11%.

Airbus Helicopters' main competitors in the military sector are Sikorsky, Boeing and Russian Helicopters, thanks to large captive market and strong political support for export.

The military sector is highly competitive and is characterised by major restrictions on foreign manufacturers' access to the domestic defence bidding process (*i.e.* USA, China, Russia). Thanks to major military campaigns (NH90, H225 and H145M), in 2019 Airbus Helicopters maintained a market share in this sector of 13%. The Division will continue to focus on large military campaigns in 2020.

Customers

More than 3,000 operators currently fly Airbus Helicopters' rotorcraft in over 150 countries. Airbus Helicopters' principal military clients are Ministries of Defence ("MoDs") in Europe, Asia, the US and Latin America. In the civil and parapublic sector, Airbus Helicopters has a leading market share in Europe, the Americas and Asia-Pacific.

With 54% of the worldwide market share-based on deliveries in 2019, the versatility and reliability of Airbus Helicopters products have made them the preferred choice of the most prominent civil and parapublic customers (turbine helicopters of five seats and above).