

Q1 2026 Airbus Earnings Release

Analyst call transcript

AIRBUS

00:00:01 - 00:00:32

Operator (Laura): Ladies and gentlemen, thank you for standing by. Welcome to the Airbus Q1 2026 Earnings Release conference call. I am Laura, the operator for this conference. Please note that for the duration of the presentation, all participants will be in listen only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Jean-Christophe Henoux, Head of Investor Relations. Please go ahead.

00:00:33 - 00:01:21

Jean-Christophe Henoux: Thank you, Laura, and a very warm welcome to everyone joining us today to dive into our Q1 2026 results. I am in Amsterdam with our CEO, Guillaume Faury, and our CFO, Thomas Toepfer. We are here to break down the numbers and take your questions. This call is planned to last one hour, including Q&A, and the replay will be available on our website. Today's presentation and detailed Financial Statements are already available on the Airbus website. Before we start, let me remind you that we will be making some forward looking statements today. I encourage you to take a look at the Safe Harbor Statement in our presentation slides. It's important stuff, so please have a quick read. And with that, let's get things started. Guillaume, the floor is yours.

00:01:21 - 00:08:11

Guillaume Faury: Thank you, JC and good evening, ladies and gentlemen. Good morning. Depending on where you connect from, we are in Amsterdam, as said by JC. And I'm with Thomas to run you through our Q1 2026 results.

As I told you in February, the global environment was complex and dynamic, and the situation in the Middle East demonstrates that it remained the case and it remains fast changing. While today there is no direct impact on deliveries, we are actively monitoring potential consequences on air traffic and the global economy. Our priority remains the safety of our employees based in the region. We are supporting our customers. On defence, the momentum continues. The focus is on steady execution and ramping up to serve the global demand on commercial aircraft.

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We delivered 114 aircraft in Q1. Despite this low number of deliveries, we are ramping up production in line with our plan for 2026, while navigating a shortage of Pratt and Whitney engines.

This is directly reflected in our financial results, with EBIT Adjusted standing at € 0.3 billion and Free Cash Flow before Customer Financing at € -2.5 billion.

Our full year 2026 guidance remains unchanged.

So now let's look at our commercial environment, starting with commercial Aircraft.

In early 2026, the passenger traffic expanded and air cargo demand showed sustained momentum. Short term, we are monitoring the situation in the Middle East and the global air traffic, and we remain confident in the fundamentals of the industry.

During this quarter, we booked 408 gross orders.

On the A220 we booked 20 gross orders and we continue seeing positive momentum.

Looking at the A320 family, we booked 336 gross orders. This brings our backlog to 7418 aircraft, of which approximately 75% are for the A321.

Moving to the widebodies: on the A330, we booked 17 gross orders.

And finally, on the A350, we booked 35 gross orders. I'm pleased to report our largest freighter order that has been placed by Atlas Air Worldwide for 20 A350 freighters. This also makes them the largest customer for the type and the first in the US, bringing our total freighter backlog above 100 units.

Net orders amounted to 398, including 10 cancellations. Our backlog in units increased to 9037 aircraft at the end of March 2026.

Before moving to helicopters, let me highlight a key milestone in our growing services business. Indeed, in order to better deliver digital services to our customers, we have recently merged our flight operations specialist subsidiary, NavBlue, with our Skywise Digital Solutions activities to form a new company called Skywise. It will provide end to end digital solutions to aircraft operators.

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So now moving on to helicopters, in Q1 2026 we booked 79 net orders compared to 100 in Q1 2025.

We signed strategic long term framework contracts for the H135, the H140 and the H145 helicopters with two significant emergency medical services operators in Europe.

At the Verticon 2026, Airbus Corporate Helicopters announced ACH140, so the corporate version of the H140; so Airbus Corporate Helicopters announced launch customers across three key regions: the US, Europe and Brazil, our leading markets for private and business aviation. The market reaction for this new helicopter is a positive one.

Finally, looking at UAS (unmanned air systems), Garuda Technologies in the US signed a contract for delivery of up to 18 Flexrotor Uncrewed Aerial Systems.

Overall, we continue to see good momentum in both the civil and military markets, and we remain fully focused on delivering on expectations, including ramping up.

And finally, on Defence and Space.

We finished Q1 with a very strong order intake of € 5 billion, mostly on the Air Power side, reflecting the need from our customers for military aircraft and services.

In addition, we continue to strengthen our position in the drone and anti-drone markets. Notably, we are making progress on the 3-ton class UCCA - Uncrewed Collaborative Combat Aircraft - as well as on our "Bird of Prey" drone interceptor designed to provide armed forces with a cost effective counter-UAS capability.

On FCAS, work is ongoing with the French, German and Spanish governments to decide on the project's way forward.

At Airbus, we continue to believe in the need for Europe to develop new combat air systems, and we continue to play a leading role in that effort.

In Connected Intelligence, we are advancing on our cybersecurity roadmap with the signing of the acquisitions of Ultra Cyber Limited in the UK and Quarkslab in France. This further strengthens our sovereign cyber capabilities, complementing the 2024 acquisition of Infodas in Germany.

Finally, in Space Systems, we continue to observe good order dynamics. We are very proud of our contribution to the Artemis II lunar flyby mission. Indeed, the Airbus designed and built ESM

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- European Service Module - provides essential propulsion, power and thermal control, ensuring the safety and success of this historic journey into deep space.

And now Thomas will take you through our financials. Thomas.

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00:08:12 - 00:13:41

Thomas Toepfer: Thank you very much, Guillaume. And hello, ladies and gentlemen. Thank you for joining the call.

I am now on page 6 of the presentation, and I'll take you through our financial performance.

As you can see on the page, our Q1 2026 revenues decreased to € 12.7 billion, down 7% year on year. And that's mainly reflecting the lower commercial aircraft deliveries in the quarter and also the US dollar depreciation, however, partially offset by a higher contribution from our Defence and Space division.

And on R&D, as you can see on the right hand side, our expenses slightly increased versus Q1 2025 and stood at € 0.7 billion. And let me remind you that our R&D expenses are expected to increase in 2026, notably to support the Defence portfolio acceleration.

If you turn to the next page on to EBIT Adjusted, our Q1 2026 EBIT Adjusted decreased to € 0.3 billion from € 0.6 billion in Q1 2025. And it reflects the lower commercial aircraft deliveries as well as a 2-cent hedge rate deterioration, but it also reflects a strong performance in Defence & Space.

Now, coming to the EBIT adjustments, which was € - 76 million in Q1 2026, you see them on the upper right hand side and they included a € -42 million impact from the dollar working capital mismatch and balance sheet revaluation, mainly reflecting the mechanical impact coming from the difference between transaction date and delivery date. Secondly, € -32 million related to the integration of the former Spirit AeroSystems work packages. And last but not least, € -2 million of other costs, including M&A.

And this takes our Q1 2026 EBIT to +€ 0.2 billion together.

As you can also see on the right hand side, our financial result was positive € 466 million. And that mainly reflects the revaluation of certain equity investments.

And the tax rate on the core business continues to be around 27%. However, the effective tax rate is ~20% in the quarter, including the tax effects on the revaluation of certain equity investments, partially offset by the effect of the French surtax.

For 2026 as a whole, we expect the French surtax to be broadly in line with 2025, which you recall was roughly € 0.2 billion.

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So the resulting net income is € 0.6 billion, with earnings per share of € 0.74, and our Q1 2026 EPS adjusted stood at € 0.33, based on an average of 787 million shares.

Now onto our US dollar exposure coverage on page 8.

In Q1 2026, \$ 3.4 billion of forwards matured with the associated EBIT impact and euro conversions realised at a blended rate of \$1.21 versus \$1.19 in Q1 2025. And in Q1 2026, we implemented \$ 5.0 billion in new coverage over a five year horizon, with a mix of instruments, including collars and the blended rate of \$1.24 for this quarter's additions reflects, in particular, the least favorable rate of the collars, which are primarily weighted towards the outer years of our hedge horizon.

As a result, our total USD coverage portfolio in USD, stands at \$ 77.4 billion with an average blended rate of \$ 1.22 as compared to \$ 75.8 bn at \$ 1.22 at the end of 2025.

As mentioned in the FY'25 disclosure, we have adjusted our portfolio this quarter by implementing some rollovers to reflect the delivery target and phasing for 2026, which we expect to be back-end loaded.

Now on to a more detailed look at the free cash flow on page 9.

Our FCF before Customer Financing was € -2.5 billion in Q1 2026.

This outflow mainly reflects the low level of commercial deliveries which leads to a further inventory increase on top of the one that we had already planned for the ramp-up.

Our Q1 2026 CapEx was € - 0.6 billion, as you can see on the page. And this supports our ramp-up and the successful integration of the former Spirit Aerosystems workpackages. In order to do this, we expect our CapEx to continue to increase in 2026.

Now, the Free Cash Flow was € -2.4 billion, including customer financing for positive € 0.1 billion. We continued to see a diverse and competitive financing landscape in Q1 2026. At the moment, we expect sufficient market liquidity to finance our 2026 deliveries.

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And last but not least, as you can see, our Net Cash position stood at € 9.8 billion as at the end of March and our liquidity remains strong, above € 30 billion.

And with this, I would like to hand it back to Guillaume.

00:13:42 - 00:19:18

Guillaume Faury: Thank you Thomas.

So starting with commercial aircraft, in Q1, we delivered 114 aircraft to 46 customers.

Looking at the situation by aircraft family, on the A220, we delivered 19 aircraft. The ramp up is ongoing, and we continue to target a rate of 13 aircraft a month in 2028. So that's no change.

On the A320, we delivered 81 aircraft, of which 55 A321, representing 68% of deliveries for the A320 family. As mentioned, this low number of deliveries result from a so-called dis-synchronisation between production and delivery. The first element of this is the panel quality issue that you know. On this we are progressing well and we confirm the operational impact will be limited, and will spread mainly over H1 of this year.

Secondly, we faced an administrative delay that affected the delivery of nearly 20 aircraft to Chinese customers. The origin of the issue is behind us and the corresponding deliveries have resumed. So that's something that we are putting behind us now.

Overall, Pratt and Whitney remains the key pacer of our A320 ramp up trajectory and deliveries for this year and for next year, so impacting both 2026 and 2027. As a result, I would say no change for the A320. We expect to reach a rate of between 70 and 75 aircraft a month by the end of next year, 2027, and stabilising at rate 75 thereafter.

Now moving to widebodies, we delivered 14 aircraft, of which 3 A330s and 11 A350s.

On the A330 no change, we target to reach rate 5 in 2029 to meet customer demand. And on the A350, no change either. We continue to target rate 12 in 2028. When it comes to the A350 freighter, the ground testing programme is on track, paving the way for the first test flight later this year.

Now, let's look at the financials for our Commercial Aircraft business.

Revenues decreased 11% year-on-year, mainly reflecting the lower deliveries and the US dollar depreciation.

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EBIT Adjusted decreased to € 0.1 billion from € 0.5 billion in Q1 2025, driven by the lower deliveries as well as a less favourable hedge rate.

Moving to helicopters.

In Q1 of this year, we delivered 56 helicopters, so 5 more than in the first quarter of 2025.

Revenues stayed flat at € 1.6 billion, reflecting a less favourable delivery mix in the first quarter.

As a result, EBIT Adjusted stood at € 65 million, reflecting a solid performance from programmes, offset by higher R&D expenses.

And let's complete our review with Defence and Space, where revenues increased 7% year on year to € 2.8 billion, driven mainly by higher volumes in Air Power.

This notably reflects deliveries of 2 A400M in the first quarter, including one export A400M to Indonesia. This resulted in EBIT Adjusted of € 130 million, supported by better profitability across all business units.

Now moving on to our guidance, which remains unchanged.

As the basis for its 2026 guidance, the company assumes no additional disruptions to global trade or the world economy, air traffic, the supply chain, its internal operations, and ability to deliver products and services.

The company's 2026 guidance is before M&A and includes the impact of currently applicable tariffs.

On that basis, the company targets to achieve in 2026 around 870 commercial aircraft deliveries, an EBIT Adjusted of around € 7.5 billion and a Free Cash Flow before Customer Financing of around € 4.5 billion.

Moving on to our key priorities.

Well, they have not changed since last year.

We remain focused on ramping up across all our programs. Ramp up, ramp up, ramp up. With our strong portfolio of products and services, we are fully committed to serving both our commercial and military customers. We continue to rely on our core pillars that underpin everything we do as a company. Safety, quality, integrity, compliance and security. When it comes to the geopolitical environment, we can also rely on our global footprint, diversified backlog and operational resilience. Finally, we continue to deliver profitable growth while advancing our key priorities.

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And now we are ready to take your questions.

00:19:19 - 00:19:54

Jean-Christophe Henoux: Thank you, Guillaume and Thomas.

Before opening the Q&A session, let me set a couple of guidelines. First, please introduce yourself and your company before you dive in. Second, we ask you to limit yourself to two questions so that we keep things fair for everyone in the queue. And finally, a small favor for the speakers. Please try to keep a steady pace and speak clearly. It really helps us and everyone listening in, to fully capture your question. Now, Laura, could you please explain the Q&A procedure for our participants?

00:19:54 - 00:20:10

Operator (Laura): Thank you. We will now begin the question and answer session. If you want to ask a question, please press #5 on your telephone keypad.

We have a first question from Ross Law from Morgan Stanley. Please go ahead.

00:20:12 - 00:20:41

Question 1, Ross Law, Morgan Stanley & Co Ltd - Analyst: Hi. Afternoon, everyone. Thanks very much for taking my question. So a couple from me. The first is you're calling out a shortage of Pratt & Whitney engines. I just want to check, is this shortage versus the initial agreement, or is this a shortage versus the lower number that they propose to you for this year? And secondly, just on working capital inventories grew by over 5 billion sequentially in the quarter. How many aircraft do you currently have fully built with engines but are just awaiting the panel fix. Thank you.

00:20:43 - 00:20:45

Guillaume Faury: Thomas, do you want to take that?

00:20:45 - 00:21:37

Thomas Toepfer: Yes. Let me maybe start with your last question. So indeed, we built 5 billion of inventory. That is significantly more than the build up of last year. Almost 1.5 billion more built up, if you like. And that explains, obviously, the Free Cash Flow development. And the

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driver behind that is mainly what Guillaume mentioned in his speech, saying that we had an administrative delay, so almost 20 aircraft couldn't be delivered to China. The issue is resolved and the deliveries have resumed after the close of the quarter. But that is the main reason why inventory is so elevated. And it also gives you the order of magnitude of aircraft that essentially have been built and were ready, but could not be delivered because of an administrative topic that we had to resolve.

00:21:38 - 00:21:42

Guillaume Faury: Shortage of P&W engines. Do you want me to take it? Or do you take it?

00:21:42 - 00:22:11

Thomas Toepfer: And maybe on Pratt and Whitney directly. Ross, so no, the situation has not changed. So the shortage is the same shortage that we were talking about in our full year call. So it's a shortage of what we have requested from them, the situation in terms of what they told us they would deliver for 2026 has since then not changed. So therefore, that is what we have put as the basis for our guidance. And as I said, this is unchanged. So we're on track with this.

00:22:15 - 00:22:21

Operator (Laura): Now we have a question from David Perry from JPMorgan. Please go ahead.

00:22:22 - 00:23:18

Question 2, David Perry, JPMorgan Chase & Co, Analyst: Hi Guillaume and Thomas. Hope you're well. Two questions if I can. Can I just follow up on the China deliveries? Because I think we all look at Cirium and notice there was a nice bounce in the deliveries in the last few days. But maybe that was the China 20 planes. So it looks like the underlying deliveries are still quite low. So I just wondered if you can maybe add some color about the fuselage panel issue. What's kind of going on there? You said it would mostly be resolved in H1, but just any color on the cadence of deliveries for April, May, June might be helpful. And then the second one just now, you've had a few months to poke around: Spirit. Just wondered if your views have evolved at all in terms of the work that needs to be done. Is everything as expected? Any thoughts or color on the A350 ramp would be great. Thank you.

00:23:22 - 00:23:36

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Guillaume Faury: Hello, David, I hope you're well too, thank you. So on the Spirit and the first one was on the China delivery.

Well, what I'd like to say is that what supports the deliveries in the year is the production, and the production is moving forward. So that doesn't translate into planned deliveries because we have what I call the dis-synchronization between production and deliveries. That's coming from different factors, which we highlighted earlier. Obviously, as you can imagine, China makes a significant difference. Almost 20 planes. That's big for one quarter, especially the first quarter. But we're also managing this panel issue at the end of last year, and it will be mostly finished by the end of Q2. I'm not granular here on how many will come in April, May, June, but that's an ongoing exercise. So that's going to come somewhere mostly in the second quarter. That leads us to recovery of the situation as we move forward, starting from a very low base in Q1 2026, in terms of deliveries again. But as Thomas commented on before, the increase in inventories actually shows that this ramp up is taking place. And that's something we see, and we trust that we have enabled the deliveries for the next three quarters to support the guidance that we have confirmed from a number of aircraft. I hope that helps.

Now on Spirit, do you want to say a few words?

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00:25:12 - 00:26:12

Thomas Toepfer: Yeah. Spirit. David, no negative discoveries. I would say, we are on track and therefore the financial guidance that we've given for Spirit is unchanged. Remember, it's a low triple digit negative on EBIT and then up to a high triple digit negative on Free Cash Flow. Why is that? Because we have to make investments and focus on the ramp up of two critical parts, one being the wings for the A220 in Belfast. And secondly for section 15 in Kingston. I would say that the wings is the slightly easier one because we have our teams in Broughton and so to send experts to Belfast I would say it is the easier one. Kingston as you know, is in the middle of nowhere. So this is the slightly more difficult one to send experts and make sure that the ramp up is happening. But overall our view is unchanged and the financial guidance for Spirit is also unchanged.

00:26:14 - 00:26:15

David Perry: Very clear. Thank you.

00:26:17 - 00:26:23

Operator (Laura): We have a question from Chloe Lemarie from Jefferies. Please go ahead.

00:26:26 - 00:27:15

Question 3: Chloe Lemarie, Jefferies: Yes. Good evening Guillaume, Thomas and JC. I have two questions, if I may. The first one is on, I think a comment that was made on the press call, but the fact that there is so far no agreement yet with Pratt and Whitney. Could you please elaborate on this? What's slowing this agreement? What does that mean for the supply for the remainder of the year? And is the uncertainty essentially within the typical materiality threshold that you apply to your delivery guidance?

And the second one is on the A220 and the A350 stretch, mentioning you're not yet ready to make a decision on those, what would change your mind? Is it just a kind of clearing technical hurdle, assessing demand? Or is it because you will focus on the current production ramp at the moment? Thank you

00:27:20 - 00:29:54

Guillaume Faury: So, for the question on Pratt and Whitney, basically what I can say is that the number of engines to be delivered by Pratt to Airbus this year is something that is frozen and

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stable, so no change and therefore no reason to impact or suggest there is an impact for the number of deliveries for this year. We have a number of areas of disagreements, but the number of engines to be delivered this year is not an area of disagreement.

Well, it takes time to resolve a dispute of that kind. As I mentioned earlier, we are, on the one hand, trying to resolve and find an amicable resolution of the dispute and the disagreement and on the other side, we are going through the contractual rights that we have to enforce our contractual rights, would we not find an amicable resolution of the disagreements.

So it always takes time to find a resolution of these kinds of topics, especially given the magnitude of the impact that it has for us, and obviously that it has as well for Pratt & Whitney and their airline customers.

When it comes to the second question, well, it's a lot of work to come to the decision of launching a new product or an upgrade of an existing product with the magnitude of what we're speaking about here. So it's just an ongoing work to come to technical convergence, industrial enablement, agreement with suppliers, timing, financing, everything. We do the normal work that we do when we go through the milestones, the gates of making decisions for those products. So it takes time, and that's something we want to do I would say, by the book, to not do shortcuts or overlook important aspects of launching a new product. And we do it in parallel with the focus we have on the ramp-up. These are not exactly or not at all the same teams that are working on development of future products and ramping up of the existing production system. There is a bit of overlap, but not too much. And we conduct the two in parallel. These are two independent flows of activities. We try to do them, to do both of them as well as we reasonably can.

Chloe Lemarie: Okay. Thank you.

00:30:00 - 00:30:02

Jean-Christophe: Next question.

00:30:02 - 00:30:07

Operator (Laura): We have a question from Milene Kerner from Barclays. Please go ahead.

00:30:08 - 00:30:20

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Question 4: Milene Kerner, Barclays Capital Inc., Analyst Yes. Thomas and Jean-Christophe from Milene Kerner from Barclays. One question for me, please. When do you expect the delivery rate to structurally convert back towards your production levels?

00:30:25 - 00:33:43

Guillaume Fauray: When do we expect delivery rates to converge with production levels? Well, when you look at a full year performance, well, generally speaking, there is a certain level of convergence. There is a high degree of convergence. We've had over the past years moments of dis-synchronization, sometimes of significant dis-synchronization. But a month of December, where we have 130 deliveries is the dis-synchronization in the other direction, because we are delivering far more aircraft than what we produce. So actually, notionally, we produce in a much more linear and stable way than what we deliver, under the influence of a number of parameters: that can be customer related; that can be linked to regulatory challenges; that can be linked to tariffs coming, and having to be managed; that can be linked to logistics; that can be linked to some specific customer issues, as I said earlier; or that can be linked to our own industrial problems. Having planes almost finished without engines or with panels having to be repaired, and that can be happening in November or December as it happened last year, can be as well another moment in the year. And therefore we have non-linearity of deliveries by far more than what we have, fortunately, on the production side. That's why we're guiding on a yearly delivery basis. We don't like to guide or to give rates when it comes to monthly production rates or even quarterly production rates, but it's even less possible to do it when it comes to deliveries. It's something that is non-linear, that tends to be back loaded in the Q2 and in the Q4 in most of the years, not always. And that's something that we are suffering from probably more this year than I remember we've ever suffered in the first quarter, but we believe, we hope, we should be reasonably back to where we should have been by the end of H1. The administrative topic impacting the deliveries to China is resolved, so what has not been delivered in Q1 will be delivered in Q2 on top of the Q2 deliveries. As I told you earlier, we think the vast majority of the aircraft impacted with the panels will be back on track and delivered. So by the end of H1, absent a new situation that could come from the Middle East crisis or I don't know what, we think we should be reasonably synchronized by the end of H1. That's the way I look at it today. I hope not to be proven wrong by, again, something new. So it's not unusual that we have an up and downs in deliveries that are significantly higher with more amplitude than what we see on the production. That's also something we have on

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helicopters, we have on military products. Especially on military products, we are very vulnerable to customer negotiation, as we approach the end of the year.

00:33:44 - 00:33:48

Jean-Christophe: Thank you. Next question please.

00:33:49 - 00:33:54

Operator (Laura): We have a question from Douglas Harned from Bernstein. Please go ahead.

00:33:56 - 00:34:55

Question 5: Douglas Harned, Sanford C Bernstein & Co LLC, Analyst Yes, Good evening. Thank you. When I look it is clear you're working through getting to that 75 a month number on the A320 family. But the first question is, as you look toward that, you've talked about stabilizing at 75 a month, but, you know, you're sold out well into the next decade. Is there a point when you would look at taking that rate up above 75 a month and thinking about investment for that. And then a second question on Pratt & Whitney. You now have a certification of the GTF advantage engine on the airplane, and we would expect to start those deliveries perhaps by the end of this year. How do you see the ramp of the GTF advantage powered A321s moving through the next couple of years?

00:34:58 - 00:37:03

Guillaume Faury: So on the rate 75, it's a very important topic where we have made the decision to move to rate 75 and stabilize at rate 75 thereafter for long. So never say never. Maybe there will be enough reasons to do something else at a point in time. But we are not at that point in time, and that's not the current thinking at Airbus. The current thinking is on the single aisle we go to rate 75 and then we deliver the backlog at rate 75. We have worked hard. We have invested to have the production system, to have the final assembly lines around the world to support that rate, 75, in a stable manner. And it's also a time for us to harvest all the investments, because we are much more efficient when we are stable at a given rate, that when we ramp up. The ramp up is a difficult exercise that requires a lot of working capital, of hiring, training, qualification of people for us and for the supply chain. So as soon as we reach the 75, we stabilize and we keep it for years. Ideally, in our perspective, a lot of years. When it comes to the advantages of the GTF, and indeed it's certified, we will be delivering those

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engines moving forwards, and the intention is that this will be the new version of engine that will be delivered as we move forward. So aircraft progressively will be delivered with advantageous engines, which we are very satisfied with. It's an important upgrade of the engine that resolves the shortages, in particular in terms of durability that we had observed on the previous existing version of the GTF engine. So that's a very good milestone. And moving forward, we believe this will be recognized by our customers and they will enjoy the characteristics of this engine.

00:37:06 - 00:37:10

Jean-Christophe: Thank you. Douglas. Next question please.

00:37:10 - 00:37:16

Operator (Laura): We have a question from Ken Herbert from RBC. Please go ahead.

00:37:19 - 00:38:06

Question 6 Kenneth Herbert, RBC Capital Markets Inc, Analyst: Yes. Hi. Good afternoon Guillaume. I have two questions, please. Thomas, first, it sounds like we should expect a nice relief of working capital in the second quarter. Just based on some of your delivery commentary. How do you think the cadence looks in terms of Free Cash Flow? From the first of the second quarter, which typically sees a pretty good seasonal step up from the depressed first quarter levels. And then second, have you seen any change in your supply chain in Europe in particular, as a result of higher input costs associated with the war, you know, energy disruptions, anything like that, that could add any incremental risk into the production ramp, within your supply chain. Thank you.

00:38:07 - 00:40:03

Guillaume Faury: Yeah, thank you. I think these are, if I may good questions. The first one is too difficult for the CEO. I will handover to the expertise of the CFO. And when it comes to the supply chain, there's no disruption or no change that we observe today, but we are worried about the potential impact of the different aspects of the Middle East crisis, starting with the increased price of oil and therefore derivative products. That's something we are monitoring now very closely. We use the playbook that we have developed through the previous crisis, in particular the Covid crisis, to dig into the supply chain. Look at the tier two, the tier three

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suppliers, anticipate situations of disruption, gather information, exchange information through industry associations in different countries where we are operating, and we fear that we will see things coming. Now we are in a rather good place, if I may, entering into this crisis as we have rebuilt over the last two years, basically primarily and mainly the buffer stocks target that we had given to ourselves that were really low moving out of COVID. So we don't know exactly what will be coming, but we are really on it. We are prepared to anticipate and to manage a lot of situations, and that's the way we are entering into this new situation that is coming with a number of uncertainties, sorry.

00:40:03 - 00:40:37

Thomas Toepfer: Just on the Free Cash Flow, I think what I can fully confirm is it's a pure seasonality issue that is linked to the deliveries that were lower than what we had expected because of the China issue and the inventory that we've built. Indeed, that issue should be resolved also, including inventory of the course of the year. So I would fully reconfirm the Free Cash Flow guidance for the full year. And that also means, indeed, that in Q2 you can expect a reversal. And cash flow should be positive, of course, because we will release some of the inventory that we've built in Q1.

00:40:41 - 00:40:41 **Ken Herbert:** Thank you.

00:40:41 - 00:40:45

Jean-Christophe: Thank you again. Next question please.

00:40:45 - 00:40:51

Operator (Laura): We have a question from Robert Stallard from Vertical Research. Please go ahead.

00:40:59 - 00:41:22

Question 7 Robert Stallard, Vertical Research Partners LLC, Analyst: A quick question. Two questions actually. First of all, on the broader supply chain, excluding engines, are there any other watch areas that you have on your mind, such as seat certification? And then secondly,

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on the defence side of the business, I was wondering how big a contributor to the growth rate you saw in Q1 was coming from MBDA. Thank you.

00:41:25 - 00:42:50

Guillaume Faury: Okay, I will turn to Thomas for the second one. When it comes to the first one, actually, we continue to have the same areas of concern, probably with a lower degree of intensity: interiors, seats, aerostructures. But again, to a lower extent, part of the aerostructure is still now internal challenges when it comes to Spirit. It's now becoming Airbus.

And well, the name of the game for sure is obviously on the engine side. Now we have reduced the number of engines as a reference for the 870 deliveries. So as long as we get those engines, and I have no reason to believe it's not the case that's stable for this year. The other topics are not necessarily, I mean, impacting deliveries, but the impact the way we deliver the completeness of the aircraft, especially when it comes to seat.

And you might remember that we've delivered, and we are entitled to deliver by contract, aircraft without the seats when the seats are biofurnished equipment and they are late or very late. We don't like to be doing this. We'd like to find solutions with customers but that's something sometimes we have to do. So well, that's basically it. On MBDA.

00:42:50 - 00:43:32

Thomas Toepfer: Yes. So, I mean, just to be very clear, MBDA is not contained in our order intake and the revenues that we show in Defence and Space. So therefore, everything that you see here is purely organic. MBDA is only incorporated in our EBIT adjusted with the respective share that we hold. However, also to be clear here, in the uplift that you see EBIT adjusted in Defense and Space, so up from the € 77 million to € 130 million, it does not play a key role. It's all organic from all the three business segments that we have in the Defense and Space that have contributed to that. So essentially, it's really reflecting our organic growth and not our participation.

00:43:38 - 00:43:39

Jean-Christophe: Next question please.

00:43:40 - 00:43:45

Operator (Laura): We have a question from David Strauss from Wells Fargo. Please go ahead.

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00:43:48 - 00:44:20

Question 8 David Strauss, Wells Fargo Securities LLC, Analyst: Great. Thank you. Good evening. Two part question. Are you producing any A320 gliders at the moment? That's the first part. And then the second part: you spoke of Pratt impacting your ramp up in 2026 and also out in 2027. As you look to 2027, is there any opportunity for GE to take a bigger role in your engine delivery profile? Thank you.

00:44:22 - 00:44:57

Guillaume Faury: So, no, we are not producing gliders at this moment. And yes, we have worked with CFM to the maximum extent possible. They have supported us to the extent they can, to offset parts of the missing engines they can. But we also have to deal with the mix of engines and the flow in the contract. So that's something we have tried to leverage as much as we can, but it's not enough to offset the significant number of missing engine components.

Jean-Christophe: Laura, next question please.

00:45:10 - 00:45:15

Operator (Laura): We have a question from Hervé Drouet from CIC CIB. Please go ahead.

Question 9 Herve Drouet, CIC Corporate & Institutional Banking:

Good evening, Guillaume and Thomas. Two questions as well on my side. The first one just on the integration cost for Spirit. The figure of € 32 million I believe we've seen in the first quarter. Is it something we are likely to see on a recurring basis? Over the year for Spirit Aero, for a total in the region of € 150 million for the full year. And the second question is on the adjustment regarding part of the panel, which needed a rework. I was wondering, I mean, initially I believed there was an expectation that it should be almost completed by the end of the first quarter. What was the reason behind the move towards the end of the second quarter, were the works curb a bit more than anticipated, and how much has been the effect on the cost side? Thank you.

Guillaume Faury: So maybe I start with the second question, to the extent I can. On the panel, well, the resources which are required to replace the panel on an aircraft are quite significant.

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And therefore we have spread the work to the extent we can, trying to find a good balance between being as fast as we can to deliver to customers, but also managing those resources so that we can repair a number of aircraft at the same time, which is compatible with this availability of resources. So no major news linked to the fact that we had said mostly by the end of Q1. And now we say mostly by the end of H1. So indeed, we have spread the work in two quarters or one quarter more than what we had said so far. But it doesn't fundamentally change the view I have on the situation. Now maybe on the adjustment for panels and on the integration cost of Spirit, I look at Thomas.

Thomas Toepfer: I mean, just to be clear, for the effect of the panels, we have not taken any adjustment in our EBIT. It's a phasing effect that we have over the course of the year. And so therefore this is nothing that we're adjusting for, it's operational. And secondly, on Spirit, again, two statements. One is the effect of Spirit and negatively that you will find in our EBIT Adjusted because we have taken over the work packages that were loss making. And you remember, we got a positive compensation for that [it] is roughly a low triple digit number. And I can reconfirm that. And of course there are some integration costs that we are adjusting in our P&L. Because they are, as I said, classic M&A integration costs. I cannot make an exact prediction for this, but it's fair to assume that they will slightly increase over the course of the year.

Jean-Christophe: Thank you. This was the last question. And before we close, I hand it over to Guillaume for closing comments.

Guillaume Fauray: Thank you JC. Before we close, I wanted to share with you that we will host a Business Update at the time of the Farnborough Airshow. So in July. It will take place in downtown London and the date is Tuesday, the 21st of July in the evening. It is preliminary information and logistical details will be shared in the following days. So again, happy to share this with you tonight. Business Update on the 21st of July in London. And then back to you, JC, for the conclusion.

Jean-Christophe: Thank you Guillaume, and thank you everyone. We really appreciate you taking the time to join us today. If you have any further questions, as usual, don't hesitate to reach out to Victoria, Olivier and I. Just send us an email and we will be answering as quickly as we can. That brings our session to a close for today. Have a great evening everybody.

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Guillaume Faury: Or a good day? Thank you. Bye bye everyone.

Thomas Toepfer: Thanks. Bye bye.

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