



AIRBUS TAKES €1.4BN HIT AND FACES 'SPRINT FINISH' TO MEET FULL-YEAR GOALS

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Airbus Group suffered a €1.4 billion hit linked to its troubled A400M military transporter and A350 passenger jet in the first half of the year, although profits rose thanks to asset sales and a satellite launch merger.

The France-based company on Wednesday reported profit of €1.76bn, up from €1.52bn in the first half of 2015. In the second quarter, Airbus finalised its sale of a stake in Dassault Aviation and the creation of Airbus Safran Launchers joint venture.

First-half sales were steady at €28.8bn, compared with €28.9bn last year. Overall orders were down despite a spate of deals announced at the recent Farnborough International Air Show in the United Kingdom.

The company said it has worked out a temporary fix for the A400M after the discovery of gearbox problems, but took a €1.03bn hit in the second quarter and warned it could face further "significant" financial losses on the plane.

Airbus said it remains a challenging problem but insisted it is an "exceptional aircraft."

While the company stood by its full-year target of matching 2015's earnings figure on Wednesday, a botched first half compounded by engine issues with its revamped A320 workhorse mean a major effort will be required to get delayed planes to customers so that final payments can be booked.

On the A400M, Airbus' engine partner devised an interim fix for the gearbox allowing a bigger gap between inspections, but is still working on a long-term solution, said the chief executive Tom Enders.

The company faces "a sprint finish" to achieve its full-year goals, said Sandy Morris, a London-based analyst at Jefferies International, although with some of the delayed A350s and A320neos completed and awaiting final finishing, it could still get there.

Earnings before interest, tax (ebit) and one-time items – a figure that strips out the charges – slipped 4 per cent to €1.18bn in the second quarter, better than the €1.05bn euros predicted by analysts. For the full year the company is chasing adjusted ebit of €4.1bn.

"The first-half underlying financial performance reflects our well-flagged back-loaded aircraft delivery schedule this year," said Mr Enders.

Shares of Airbus were up 2.3 per cent at 2pm UAE time, set for best day in two weeks, paring a decline this year of about 14 per cent, valuing the business at about €41bn.

Airbus' main jetliner arm delivered 298 planes in the first half out of the 650 it aims to hand over in the full year. That included just 12 A350s from an envisaged 12-month total of 50 as interiors suppliers including Zodiac struggles to keep up with build rates for the group's newest wide-body.

The New Engine Option (Neo) upgrade to the A320 has managed only eight deliveries to date following cooling issues with the Pratt & Whitney turbines powering the first planes. Qatar Airways, due to be the first customer, refused to take the model.

Most disappointing for Airbus will be the recurrence of problems with the A400M, a plane dogged by delays and engine problems for years which Enders has called a "never ending saga." The gearbox glitch could require further charges as engineers work on the fix, he said in the briefing.

Still, Airbus is on "good track" to meet its target of selling at least as many jetliners as it delivers this year, after this month's Farnborough Airshow accelerated what had been a slow start in 2016 orders, Mr Enderse said on Wednesday.

Speaking of the A400M programme, he also said he was confident of finding a "reasonable" deal with buyer nations over late-delivery penalties and that he remained bullish over exports for the military transport plane.

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