

## **Airbus Could Cut A340 Production on Falling Orders, March 13, 2006**

By Andrea Rothman and James Gunsalus

Bloomberg: European Aeronautic, Defence & Space Co.'s Airbus SAS might cut production of the A340 widebody model because the plane is losing orders to Boeing Co.'s 777 model.

"It could be," EADS Co-Chief Executive Tom Enders said in an interview today when asked whether A340 output would be reduced. "It's too early to say. We don't panic because we had a bad year. Last year was not spectacularly good for the A340."

Airbus, the world's biggest planemaker, won orders for only 15 of the four-engine A340s in 2005 compared with 155 orders for the two-engine, more fuel-efficient 777, which helped Chicago-based Boeing gain 55 percent of the market last year, measured by value. The widebody models sell for \$180 million to \$250 million.

"The weak level of orders" for the A340 models "in 2005 already gave some indication of the demand from airlines," said Yan Derocles, an analyst at Oddo Securities in Paris, who rates EADS shares a "buy."

Airbus plans to cut production of the A340-500 and A340-600 models because of low demand and order cancellations, French weekly newsletter *La Lettre de L'Expansion* reported today, without saying where it got the information. Airbus will build six of the planes next year, down from 12 this year, it said.

"Our production plans are unchanged," Airbus spokeswoman Barbara Kracht said. "There is no cut in A340-500/600 production and there are no cancellations." She declined to provide a specific figure for planned A340 production.

Enders said that both this year and next, Toulouse, France-based Airbus expects to produce "between 70 and 80" widebody planes, which includes both the two-engine A330 and the four-engine A340s. He didn't break out production plans for the A340s.

He also said that Airbus plans to deliver at least 420 planes this year, up from 378, and for the total to rise again in 2007 and "plateau" at that level because of demand from Asia.

Airbus offers three variations on the A340 model: the A340-300, which seats 295; the A340-600, which seats 380 passengers and competes with Boeing's 777-300ER; and the A330-500, which seats about 313 and flies 8,500 nautical miles, competing with the 777-200LR.

The A340-500 won no new orders last year, while the A340-600 got 12 and the A340-300 had three. Boeing 777-300ERs won 89 orders, while the 777-200LRs got 30.

--With reporting by Ines Karscholdgen in London and Susanna Ray in Frankfurt. Editor:  
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