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## Open letter to the Polish Prime Minister

Warsaw, Poland, 11 October 2016 – **In light of recent statements regarding the status of the multirole helicopter tender in Poland, Airbus Helicopters feels the need to refute a number of misleading allegations reported in the media. It is our belief that Polish citizens and the Polish armed forces deserve full transparency on the tender process in which Airbus Helicopters and Airbus Group have been fully committed over the last four years.**

The decision to break the offset negotiation process was made unilaterally by the Polish Ministry of Development on October 4<sup>th</sup>. The Ministry stated that this decision was made because Airbus Helicopters' offset proposal allegedly did not meet the essential security interests of Poland.

In April 2015, Poland selected Airbus Helicopters' offer for the modernization of its multirole helicopter fleet. This proposal encompassed both the deliveries of H225M Caracal helicopters and the associated offset offer (industrial activity in Poland). Airbus Helicopters was chosen as the sole offer fully compliant with the demanding Ministry of Defence requirements, including the transfer of high-level technology deemed essential to guarantee the essential security of interests in Poland.

Airbus Helicopters strongly refutes some allegations reported in media that it has carried out this negotiation process in bad faith. On September 30<sup>th</sup>, four days before the Ministry of Development's decision, Airbus Helicopters accepted to extend the validity of its offer at the request of the Ministry of Defence until November 30<sup>th</sup>. In spite of a slow negotiation process initiated with the Ministry of Development in September 2015, Airbus Helicopters has remained fully committed to finding an agreement with Poland:

- Our offset offer would have generated more value in Poland than the revenues that would have been generated for Airbus Helicopters through the helicopter supply contract.
- Out of a global Airbus Group ambition to create 6000 jobs in Poland, the Airbus Helicopters project would have led to the creation of 3800 jobs, including 1250 direct employments mainly in Lodz, Radom and Deblin.
- In a letter dated October 3<sup>rd</sup>, Airbus Helicopters proposed new concessions in order to reach the agreement, in the best interest of both parties.

**Airbus Helicopters deeply regrets this decision and would like to provide full clarity about the content of its offset proposal.**

### Offset value

- Airbus Helicopters confirms that it offered offset contract above the net value of the supply contract for 50 Caracals, which was evaluated at PLN 10,8 Bn. This would have been the real cost for Poland, and the real turnover for Airbus Helicopters.
  - The Ministry of Development required Airbus Helicopters not only to compensate this value through offset, but also to compensate an additional 23% corresponding to Polish VAT, to stay in Poland, leading to a total offset value of PLN 13,4 Bn.
  - Although compensation of a value added tax through offset is not standard practice, Airbus Helicopters agreed to compensate this gross value.
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## **Preserving the essential security interests of the Polish State**

- Airbus Helicopters' offer included among others 45 transfers of technologies answering to requirements specified by the Ministry of Defence and the Ministry of Development in the tender as serving the essential strategic security interests of the Polish State.
- Our offset offer would have provided Poland with at least 30 years of activity for state-owned Polish companies through multiple industrial projects preserving Poland's essential security interests, such as:
  - State-owned helicopter manufacturing facilities for Poland and the export market.
  - Full helicopter maintenance, repair and overhaul capabilities.
  - Transfer of source codes, licences, together with granted rights to modernize helicopters and their systems.
- Our offset offer included the direct involvement of 28 major international aerospace companies transferring their technology and know-how to the Polish industry.
- Our offset offer would have transformed WZL1 company, a state-owned company belonging to Polish Defence Group PGZ and currently in charge of maintaining old-generation Russian helicopters, into a world-class helicopter industrial centre with capabilities ranging from full assembly line, systems production, maintenance, overhaul and modernization capabilities, serving the needs of both Poland and the international market.

## **Full Assembly Line in WZL1**

- In its offer, Airbus Helicopters agreed to establish the first state-owned helicopter plant in Poland with WZL1 company, and in which Poland would have had a 90% stake.
- Airbus Helicopters offered a full H225M Caracal assembly line mirroring the capabilities of the existing French facility. This would have allowed the production of helicopters both for the domestic and the export markets, as well as a growth potential to produce other helicopter types in the future. Our offer included a firm commitment to deliver helicopters from WZL1 to the export market. It is therefore misleading to compare this project to a mere "painting shop".
- As part of our offer, a minimum of 50 H225 helicopters would have been fully produced in Poland. Taking into account the time needed to transfer technology in country, and in order to comply with the urgent operational requirements of the Polish armed forces, an initial batch of helicopters would have been assembled in France, by Polish workers from WZL1. This would have ensured the proper transfer of skills, know-how and technology to Poland.

## **New projects requested by the Ministry of Development**

- Airbus Helicopters has presented Poland with a global offer preserving the security interests of the country, in line with offset regulations.
  - Independently from the Caracal Full Assembly Line that would have been established in Lodz, Airbus Helicopters offered Poland the creation of an additional and new production plant dedicated to the manufacturing of rotor and transmission complex parts for the full
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range of existing and future Airbus Helicopters products. The initial investment represented 370 Million PLN. Over 10 years, this project would have generated a turnover of 1.7 billion PLN and more than 200 Million PLN per year beyond this period. This outstanding project was rejected from the offset proposal by the Ministry of Development.

- In August 2016, new requirements were introduced by the Ministry of Development. Airbus Helicopters acknowledged that it was impossible to include some of these new projects in particular as they were not compliant with EU regulations governing the tender.

**Many statements have been made regarding the ability of other competitors to better serve the interests of Poland. Airbus Helicopters would like to make the following comments on the matter:**

- There is no Polish state-owned helicopter manufacturer in Poland. All established facilities are fully-owned by their foreign parent companies and are the result of a different industrial approach. PZL Swidnik is a Leonardo company, while PZL Mielec is a Sikorsky / Lockheed Martin company. Airbus Helicopters would have been the first and only helicopter company to meet Poland's ambitions to develop a state-owned rotorcraft manufacturing capability.
- All competitors in the tender went through the same demanding nearly three-years process: request for information, sessions of technical dialogue and request for proposal. The two other competitors did not submit compliant offers.
- Despite all the communication done by Sikorsky / Lockheed Martin and Leonardo since the selection of the Caracal, Airbus Helicopters remains the only company having made the effort to fully comply with the Ministry of Defence and Ministry of Development requirements in its offer.
- The offer from Airbus Helicopters was the only one bringing additional employment, high-end technologies, while truly supporting the development of the state-owned Polish industry and securing a significant growth potential for future activities within the next decades.

**Airbus Helicopters stands ready to provide all the supporting information deemed necessary to clear any doubts or misinterpretations about the content of its proposal.**



Guillaume Faury, Airbus Helicopters CEO