Financial Statements 2018

Financial Statements

Chapter 1

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Airbus SE
IFRS Consolidated Financial Statements

Airbus SE – IFRS Consolidated Income Statement for the years ended 31 December 2018 and 2017

(In € million)	Note	**2018**	2017
Revenue [1]	10	**63,707**	**59,022**
Cost of sales [1]		(54,920)	(52,149)
Gross margin [1]	10	**8,787**	**6,873**
Selling expenses		(861)	(872)
Administrative expenses		(1,574)	(1,567)
Research and development expenses	11	(3,217)	(2,807)
Other income	13	1,656	981
Other expenses	13	(182)	(336)
Share of profit from investments accounted for under the equity method [1]	12	330	311
Other income from investments	12	109	82
Profit before financial result and income taxes [1]		**5,048**	**2,665**
Interest income		208	189
Interest expense		(440)	(517)
Other financial result [1]		(531)	1,489
Total financial result [1]	14	(763)	1,161
Income taxes [1]	15	(1,274)	(1,462)
Profit for the period [1]		**3,011**	**2,364**
Attributable to:			
Equity owners of the parent (Net income) [1]		3,054	2,361
Non-controlling interests [1]		(43)	3

Earnings per share		**€**	**€**
Basic [1]	16	3.94	3.05
Diluted [1]	16	3.92	3.04

(1) Previous year figures are restated due to the application of IFRS 15.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Comprehensive Income for the years ended 31 December 2018 and 2017

(In € million)	Note	**2018**	2017
Profit for the period [(1)]		**3,011**	**2,364**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plans		(552)	116
Change in fair value of financial assets [(2)]		(249)	0
Share of change from investments accounted for under the equity method		3	61
Income tax relating to items that will not be reclassified	15	(2)	(26)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		108	(526)
Change in fair value of cash flow hedges	35	(2,959)	10,636
Change in fair value of financial assets [(2)]		(80)	396
Share of change from investments accounted for under the equity method		(11)	(3)
Income tax relating to items that may be reclassified	15	728	(2,881)
Other comprehensive income, net of tax		**(3,014)**	**7,773**
Total comprehensive income for the period [(1)]		**(3)**	**10,137**
Attributable to:			
Equity owners of the parent [(1)]		72	10,099
Non-controlling interests [(1)]		(75)	38

(1) Previous year figures are restated due to the application of IFRS 15.
(2) IFRS 9 new classification category (prior year-end: change in fair value of available-for-sale financial assets).

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Financial Position for the years ended 31 December 2018 and 2017

(In € million)	Note	**2018**	2017	Opening 2017, restated
Assets				
Non-current assets				
Intangible assets	17	16,726	11,629	12,068
Property, plant and equipment	18	16,773	16,610	16,913
Investment property		3	3	5
Investments accounted for under the equity method [(1)]	7	1,693	1,617	1,569
Other investments and other long-term financial assets	19	3,811	4,204	3,655
Non-current contract assets [(1)]	20	65	1	0
Non-current other financial assets	23	1,108	2,980	976
Non-current other assets [(1)]	24	888	975	1,201
Deferred tax assets [(1)]	15	4,835	4,562	8,080
Non-current securities	34	10,662	10,944	9,897
Total non-current assets [(1)]		**56,564**	**53,525**	**54,364**
Current assets				
Inventories [(1)]	21	31,891	29,737	28,107
Trade receivables [(1)]	20	6,078	5,487	6,383
Current portion of other long-term financial assets	19	489	529	522
Current contract assets [(1)]	20	789	496	469
Current other financial assets	23	1,811	1,979	1,257
Current other assets [(1)]	24	4,246	2,937	2,613
Current tax assets		1,451	914	1,110
Current securities	34	2,132	1,627	1,551
Cash and cash equivalents	34	9,413	12,016	10,143
Total current assets [(1)]		**58,300**	**55,722**	**52,155**
Assets and disposal group of assets classified as held for sale	6	334	202	1,148
Total assets [(1)]		**115,198**	**109,449**	**107,667**

(1) Previous year figures are restated due to the application of IFRS 15.

(In € million)	Note	**2018**	2017	Opening 2017, restated
Equity and liabilities				
Equity attributable to equity owners of the parent				
Capital stock		777	775	773
Share premium		2,941	2,826	2,745
Retained earnings [(1)]		5,923	4,399	2,891
Accumulated other comprehensive income		134	2,742	(4,845)
Treasury shares		(51)	(2)	(3)
Total equity attributable to equity owners of the parent		**9,724**	**10,740**	**1,561**
Non-controlling interests [(1)]		(5)	2	(5)
Total equity [(1)]	32	**9,719**	**10,742**	**1,556**
Liabilities				
Non-current liabilities				
Non-current provisions [(1)]	22	11,571	9,779	10,178
Long-term financing liabilities	34	7,463	8,984	8,791
Non-current contract liabilities [(1)]	20	15,832	16,013	14,642
Non-current other financial liabilities [(1)]	23	8,009	6,704	12,965
Non-current other liabilities [(1)]	24	460	298	310
Deferred tax liabilities [(1)]	15	1,318	1,002	1,104
Non-current deferred income [(1)]		40	42	133
Total non-current liabilities [(1)]		**44,693**	**42,822**	**48,123**
Current liabilities				
Current provisions [(1)]	22	7,317	6,272	5,941
Short-term financing liabilities	34	1,463	2,212	1,687
Trade liabilities [(1)]	20	16,237	13,406	12,921
Current contract liabilities [(1)]	20	26,229	25,943	25,655
Current other financial liabilities [(1)]	23	2,462	2,050	5,644
Current other liabilities [(1)]	24	5,288	3,909	3,421
Current tax liabilities		732	1,481	1,126
Current deferred income [(1)]		626	506	602
Total current liabilities [(1)]		**60,354**	**55,779**	**56,997**
Disposal group of liabilities classified as held for sale	6	432	106	991
Total liabilities [(1)]		**105,479**	**98,707**	**106,111**
Total equity and liabilities [(1)]		**115,198**	**109,449**	**107,667**

(1) Previous year figures are restated due to the application of IFRS 15.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

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Airbus SE – IFRS Consolidated Statement of Cash Flows for the years ended 31 December 2018 and 2017

(In € million)	Note	**2018**	2017
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income) (1)		3,054	2,361
Profit (loss) for the period attributable to non-controlling interests (1)		(43)	3
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(208)	(189)
Interest expense		440	517
Interest received		186	149
Interest paid		(292)	(501)
Income tax expense (1)		1,274	1,462
Income tax paid		(897)	(152)
Depreciation and amortisation	9	2,444	2,298
Valuation adjustments (1)		(1,849)	(1,341)
Results on disposals of non-current assets		(261)	(773)
Results of investments accounted for under the equity method (1)		(330)	(311)
Change in current and non-current provisions (1)		1,952	1,018
Contribution to plan assets		(2,519)	(458)
Change in other operating assets and liabilities: (1)		**(633)**	**361**
Inventories		(671)	(2,112)
Trade receivables		(881)	(47)
Contract assets and liabilities		(684)	2,572
Trade liabilities		2,294	829
Other assets and liabilities and others		(691)	(881)
Cash provided by operating activities (2)		**2,318**	**4,444**
Investing activities:			
Purchases of intangible assets, property, plant and equipment, investment property		(2,285)	(2,558)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		213	177
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	129	(23)
Proceeds from disposals of subsidiaries (net of cash)	6	0	377
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(707)	(913)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		597	532
Dividends paid by companies valued at equity	7	191	218
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	6	320	893
Payments for investments in securities		(2,010)	(3,767)
Proceeds from disposals of securities		1,917	2,534
Cash (used for) investing activities		**(1,635)**	**(2,530)**
Financing activities:			
Increase in financing liabilities	34	103	1,703
Repayment of financing liabilities	34	(2,411)	(419)
Cash distribution to Airbus SE shareholders	32	(1,161)	(1,043)
Dividends paid to non-controlling interests		0	(3)
Payments for liability for puttable instruments		179	0
Changes in capital and non-controlling interests		117	83
Change in treasury shares		(49)	0
Cash (used for) provided by financing activities		**(3,222)**	**321**
Effect of foreign exchange rate changes on cash and cash equivalents		(54)	(374)
Net (decrease) increase in cash and cash equivalents		**(2,593)**	**1,861**
Cash and cash equivalents at beginning of period		**12,021**	**10,160**
Cash and cash equivalents at end of period	34	**9,428**	**12,021**
thereof presented as cash and cash equivalents	34	*9,413*	*12,016*
thereof presented as part of disposal groups classified as held for sale	6	*15*	*5*

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Cash provided by operating activities has been positively impacted by certain agreements reached with the Company's suppliers and customers relating to the settlement of claims and negotiation on payment terms.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Changes in Equity for the years ended 31 December 2018 and 2017

		Equity attributable to equity holders of the parent									
					Accumulated other comprehensive income						
(In € million)	Note	Capital stock	Share premium	Retained earnings	Financial assets at fair value	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 31 December 2016, as reported		**773**	**2,745**	**4,987**	**770**	**(7,153)**	**1,538**	**(3)**	**3,657**	**(5)**	**3,652**
Restatements [1]		0	0	(2,096)	0	0	0	0	(2,096)	0	(2,096)
Balance at 1 January 2017, restated [1]		**773**	**2,745**	**2,891**	**770**	**(7,153)**	**1,538**	**(3)**	**1,561**	**(5)**	**1,556**
Profit for the period [1]		0	0	2,361	0	0	0	0	2,361	3	2,364
Other comprehensive income		0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income for the period [1]		0	0	2,512	369	7,757	(539)	0	10,099	38	10,137
Capital increase	32	2	81	0	0	0	0	0	83	0	83
Share-based payment (IFRS 2)	30	0	0	36	0	0	0	0	36	0	36
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	32	0	0	(1,043)	0	0	0	0	(1,043)	(3)	(1,046)
Equity transaction (IAS 27)		0	0	3	0	0	0	0	3	(28)	(25)
Change in treasury shares	32	0	0	0	0	0	0	1	1	0	1
Balance at 31 December 2017, restated [1]		**775**	**2,826**	**4,399**	**1,139**	**604**	**999**	**(2)**	**10,740**	**2**	**10,742**
Restatements [1] [2]		0	0	187	(367)	172	0	0	(8)	0	(8)
Balance at 1 January 2018, restated [1] [2]		**775**	**2,826**	**4,586**	**772**	**776**	**999**	**(2)**	**10,732**	**2**	**10,734**
Profit for the period		0	0	3,054	0	0	0	0	3,054	(43)	3,011
Other comprehensive income		0	0	(569)	(280)	(2,249)	116	0	(2,982)	(32)	(3,014)
Total comprehensive income for the period		0	0	2,485	(280)	(2,249)	116	0	72	(75)	(3)
Capital increase	32	2	115	0	0	0	0	0	117	0	117
Share-based payment (IFRS 2)	30	0	0	62	0	0	0	0	62	0	62
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	32	0	0	(1,161)	0	0	0	0	(1,161)	0	(1,161)
Equity transaction (IAS 27)		0	0	(49)	0	0	0	0	(49)	68	19
Change in treasury shares	32	0	0	0	0	0	0	(49)	(49)	0	(49)
Balance at 31 December 2018		**777**	**2,941**	**5,923**	**492**	**(1,473)**	**1,115**	**(51)**	**9,724**	**(5)**	**9,719**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Opening balance figures are restated due to the application of IFRS 9.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

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Notes to the IFRS Consolidated Financial Statements

Contents

2.1 Basis of Preparation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** and its subsidiaries, a European public limited-liability company (*Societas Europaea*) with its seat (*statutaire zetel*) in Amsterdam, The Netherlands, its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. The Company reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see "— Note 9: Segment Information"). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 13 February 2019.

2. Significant Accounting Policies

Basis of preparation — The Company's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and Part 9 of Book 2 of the Netherlands Civil Code. When reference is made to IFRS, this intends to be EU-IFRS.

The Consolidated Financial Statements have been prepared on a historical cost basis, unless otherwise indicated. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note's content. On 1 January 2018, the Company has implemented the new standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". As a result, the Company has changed its accounting policies for revenue recognition and for the accounting of financial instruments, as detailed in "— Note 4: Change in Accounting Policies and Disclosures". The most significant accounting policies are described below, and have been updated accordingly.

Revenue recognition — Revenue is recognised when the Company transfers control of the promised goods or services to the customer. The Company measures revenue, for the consideration to which the Company is expected to be entitled in exchange for transferring promised goods or services. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. The Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. Advances and pre-delivery payments (contract liabilities) are normal and not considered a significant financing component as they are intended to protect the Company from the customer failing to complete its obligations under the contract.

Revenue from the sale of commercial aircraft is recognised at a point in time (*i.e.* at the delivery of the aircraft). The Company estimates the amount of price concession as a reduction of both revenue and cost of sales.

Revenue from the sale of military aircraft, space systems and services — When control of produced goods or rendered services is transferred over time to the customer, revenue is recognised over time, *i.e.* under the percentage of completion method ("PoC" method).

The Company transfers control over time when:
- it produces a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of contract termination at the convenience of customers (*e.g.* Tiger contract, A400M development performance obligation); or
- it creates a good which is controlled by the customer as the good is created or enhanced (*e.g.* Eurofighter contracts, some border security contracts); or
- the customer simultaneously receives and consumes the benefits provided by the Company (*e.g.* maintenance contracts).

For the application of the over time method (PoC method), the measurement of progress towards complete satisfaction of a performance obligation is based on inputs (*i.e.* cost incurred).

When none of the criteria stated above have been met, revenue is recognised at a point in time. Revenue has been recognised at the delivery of aircraft under IFRS 15 from the sale of military transport aircraft, from the A400M launch contract and most of NH90 serial helicopters' contracts.

Provisions for onerous contracts — The Company records provisions for onerous contracts when it becomes probable that the total contract costs will exceed total contract revenue. Before a provision for onerous contracts is recorded, the related assets under construction are measured at their net realisable value and written-off if necessary. Onerous contracts are identified by monitoring the progress of the contract together with the underlying programme status. An estimate of the related contract costs is made, which requires significant and

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complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see "— Note 3: Key Estimates and Judgements", "— Note 10: Revenue and Gross Margin" and "— Note 22: Provisions, Contingent Assets and Contingent Liabilities").

Research and development expenses — The costs for self-initiated research are expensed when incurred. The costs for self-initiated development are capitalised when:

- the product or process is technically feasible and clearly defined (*i.e.* the critical design review is finalised);
- adequate resources are available to successfully complete the development;
- the benefits from the assets are demonstrated (a market exists or the internal usefulness is demonstrated) and the costs attributable to the projects are reliably measured;
- the Company intends to produce and market or use the developed product or process and can demonstrate its profitability.

Income tax credits granted for research and development activities are deducted from corresponding expenses or from capitalised amounts when earned.

Capitalised development costs, are recognised either as intangible assets or, when the related development activities lead to the construction of specialised tooling for production ("jigs and tools"), or involve the design, construction and testing of prototypes and models, as property, plant and equipment. Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, they are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales.

Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs to complete the sale.

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of an entity of the Company, are translated into the functional currency at the foreign exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured into the functional currency at the exchange rate in effect at that date. Except when deferred in equity as qualifying cash flow hedges (see "— Note 35: Information about Financial Instruments"), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

- in profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions); and
- in finance costs for financial transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into functional currency at the foreign exchange rate in effect at the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. However, translation differences of non-monetary financial assets measured at fair value and classified as fair value through other comprehensive income ("OCI") are included in accumulated other comprehensive income ("AOCI").

Hedge accounting — Most of the Company's revenue is denominated in US dollar ("US$"), while a major portion of its costs are incurred in euro. The Company is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, the Company is exposed, though to a much lesser extent, to foreign exchange risk arising from costs incurred in currencies other than the euro and to other market risks such as interest rate risk, commodity price and equity price risk.

In order to manage and mitigate those risks, the Company enters into derivative contracts. The Company applies cash flow hedge accounting to its derivative contracts whenever the relevant IFRS criteria can be met. Hedge accounting ensures that derivative gains or losses are recognised in profit or loss (mainly as part of the revenue) in the same period that the hedged items or transactions affect profit or loss.

The major portion of the Company's derivative contracts is accounted for under the cash flow hedge model. The fair value hedge model is used only for certain interest rate derivatives. Derivative contracts which do not qualify for hedge accounting are accounted for at fair value through profit and loss; any related gains or losses being recognised in financial result.

The Company's hedging strategies and hedge accounting policies are described in more detail in "— Note 35: Information about Financial Instruments".

3. Key Estimates and Judgements

The preparation of the Company's Consolidated Financial Statements requires the use of estimates and assumptions. In preparing these financial statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Key estimates and judgements that have a significant influence on the amounts recognised in the Company's Consolidated Financial Statements are mentioned below:

Revenue recognition for performance obligations transferred over time — The PoC method is used to recognise revenue for performance obligations transferred over time. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the performance obligations, significant estimates include total contract costs, remaining costs to completion, total contract revenue, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such performance obligations and adjusts them as necessary (see "— Note 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

Provisions — The evaluation of provisions, such as onerous contracts, warranty costs, restructuring measures and legal proceedings are based on best available estimates. Onerous contracts are identified by monitoring the progress of the contract and the underlying programme performance. The associated estimates of the relevant contract costs, require significant judgement related to performance achievements including estimates involving warranty costs. Depending on the size and nature of the Company's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of commercial or military aircraft programmes (*e.g.* A400M) or major derivative aircraft programmes involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

The Company makes estimates and provides across the programmes, for costs related to identified in service technical issues for which solutions have been defined, and for which the associated costs can be reliably estimated taking into consideration the latest facts and circumstances. The Company is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and must be considered on a case by case basis.

Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Company's industry require challenging integration and coordination along the supply chain including an ongoing assessment of suppliers' assertions which may additionally impact the outcome of these monitoring processes (see "— Note 10: Revenue and Gross Margin" and "— Note 22: Provisions, Contingent Assets and Contingent Liabilities").

Employee benefits — The Company accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. The actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expense (see "— Note 29: Post-Employment Benefits").

Legal contingencies — Airbus companies are parties to litigations related to a number of matters as described in "— Note 36: Litigation and Claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company. Management regularly analyses current information about these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — The Company operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. At each end of the reporting period, the Company assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced, through valuation allowances recognition, if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as the Company's latest operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. Qualitative factors include but are not limited to an entity's history of planning accuracy, performance records, business model, backlog, existence of long-term contracts as well as the nature of temporary differences (see "— Note 15: Income Tax").

Other subjects that involve assumptions and estimates are further described in the respective notes (see "— Note 6: Acquisitions and Disposals", "— Note 17: Intangible Assets" and "— Note 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

4. Change in Accounting Policies and Disclosures

The accounting policies applied by the Company for preparing its 2018 year-end Consolidated Financial Statements are the same as applied for the previous year, except for the first application of the new standards described below. Amendments, improvements to and interpretations of standards effective from 1 January 2018 have no material impact on the Consolidated Financial Statements.

New, Revised or Amended IFRS Standards and Interpretations Applied from 1 January 2018

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 replaced the former revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of control of the promised goods or services (performance obligations) in an amount that reflects the consideration to which that entity is entitled.

The Company adopted the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the Company restated the comparative 2017 results included in the 2018 IFRS Consolidated Financial Statements. The opening equity was restated as of 1 January 2017.

The Company has elected the practical expedients for completed contracts and contract modifications. As a result, the Company has not restated completed contracts which began and ended within 2017 or which were completed at the beginning of 1 January 2017. The Company used transaction prices at the date contracts were completed rather than estimating variable consideration amounts in the comparative reporting periods. The Company has reflected the aggregate effect of all of the modifications that occur before 1 January 2017 in identifying the performance obligations, determining and allocating the transaction price.

The application of those practical expedients allows an efficient implementation of the standard especially on complex transactions (*e.g.* contractual amendments on military contracts) and a provision of relevant information under IFRS 15.

The Company has used the practical expedient applicable to the disclosure on the amount of the transaction price allocated to the remaining performance obligations (*i.e.* backlog) and an explanation of when it expects to recognise the amount as revenue without any comparative information.

The Company revised its accounting policies relative to revenue recognition, to implement IFRS 15 as described in "— Note 2: Significant Accounting Policies". The most significant changes result from the following:

- Several performance obligations are identified instead of recognising a single contract margin under IAS 11 (*e.g.* A400M, NH90 contracts). In some cases, the over time method (PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, for A350 launch contracts, A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft are recognised at a point in time (*e.g.* upon delivery of the aircraft to the customer).
- Under IFRS 15, measurement of the revenue takes into account variable consideration constraints in order to achieve high likelihood that a significant reversal of the recognised revenue will not occur in the future. The constraint in assessing revenue at completion for some contracts (A400M) generates a decrease in recognised revenue.
- For the application of the over time method (PoC method), the Company measures its progress towards complete satisfaction of performance obligations based on inputs (*i.e.* cost incurred) rather than on outputs (*i.e.* milestones achieved). For the Company's current long-term construction contracts, progresses were usually measured based on milestones achieved (*e.g.* Tiger programme, satellites, orbital infrastructures). Under IFRS 15, the Company measures progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

IFRS 15 also impacts the presentation of the revenue from the sales of engines. Under IAS 18, the Company recognised revenue based on the amount of its contracts with its customers, unless it had confirmation of the amount of the price concession. In contrast, IFRS 15 requires the Company to estimate the amount of price concession in all cases and to treat the price concession as a reduction of revenue and cost of sales. Under IFRS 15, revenue and cost of sales decrease by the amount of the estimated concession granted by the Company's engine supplier to their customers.

In addition to these changes, IFRS 15 introduced a new class of assets and liabilities "contract assets" and "contract liabilities":

- A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time (*e.g.* revenue recognised from the application of the PoC method before the Company has a right to invoice. Prior to the implementation of IFRS 15, unbilled revenue was reported within "trade receivables").
- A contract liability represents the Company's obligation to transfer goods or services to a customer for which the customer has paid a consideration (*e.g.* contract liabilities mainly include the customer advance payments received which were reported prior to the implementation of IFRS 15 within "other liabilities").

For any individual contract, either a contract asset or a contract liability is presented on a net basis.

The distinction between non-current and current presentation remains unchanged.

The following tables summarise the impacts on the comparative information resulting from the change in revenue recognition principles:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017:

(In € million)	As previously reported	IFRS 15	As restated
Assets			
Non-current assets			
Intangible assets	11,629	0	11,629
Property, plant and equipment	16,610	0	16,610
Investment property	3	0	3
Investments accounted for under the equity method	1,678	(61)	1,617
Other investments and other long-term financial assets	4,204	0	4,204
Non-current contract assets	0	1	1
Non-current other financial assets	2,980	0	2,980
Non-current other assets	2,295	(1,320)	975
Deferred tax assets	3,598	964	4,562
Non-current securities	10,944	0	10,944
Total non-current assets	**53,941**	**(416)**	**53,525**
Current assets			
Inventories	31,464	(1,727)	29,737
Trade receivables	8,358	(2,871)	5,487
Current portion of other long-term financial assets	529	0	529
Current contract assets	0	496	496
Current other financial assets	1,979	0	1,979
Current other assets	2,907	30	2,937
Current tax assets	914	0	914
Current securities	1,627	0	1,627
Cash and cash equivalents	12,016	0	12,016
Total current assets	**59,794**	**(4,072)**	**55,722**
Assets and disposal group of assets classified as held for sale	202	0	202
Total assets	**113,937**	**(4,488)**	**109,449**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	775	0	775
Reserves	9,833	(2,608)	7,225
Accumulated other comprehensive income	2,742	0	2,742
Treasury shares	(2)	0	(2)
Total equity attributable to equity owners of the parent	**13,348**	**(2,608)**	**10,740**
Non-controlling interests	3	(1)	2
Total equity	**13,351**	**(2,609)**	**10,742**
Liabilities			
Non-current liabilities			
Non-current provisions	10,153	(374)	9,779
Long-term financing liabilities	8,984	0	8,984
Non-current contract liabilities	0	16,013	16,013
Non-current other financial liabilities	6,948	(244)	6,704
Non-current other liabilities	17,190	(16,892)	298
Deferred tax liabilities	981	21	1,002
Non-current deferred income	199	(157)	42
Total non-current liabilities	**44,455**	**(1,633)**	**42,822**
Current liabilities			
Current provisions	6,575	(303)	6,272
Short-term financing liabilities	2,212	0	2,212
Trade liabilities	13,444	(38)	13,406
Current contract liabilities	0	25,943	25,943
Current other financial liabilities	2,185	(135)	2,050
Current other liabilities	29,193	(25,284)	3,909
Current tax liabilities	1,481	0	1,481
Current deferred income	935	(429)	506
Total current liabilities	**56,025**	**(246)**	**55,779**
Disposal group of liabilities classified as held for sale	106	0	106
Total liabilities	**100,586**	**(1,879)**	**98,707**
Total equity and liabilities	**113,937**	**(4,488)**	**109,449**

(1) Including reclassification between contract assets, current and non-current contract liabilities compared to previously reported in the 2018 interim financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2017:

(In € million)	As previously reported	IFRS 15	As restated
Assets			
Non-current assets			
Intangible assets	12,068	0	12,068
Property, plant and equipment	16,913	0	16,913
Investment property	5	0	5
Investments accounted for under the equity method	1,608	(39)	1,569
Other investments and other long-term financial assets	3,655	0	3,655
Non-current contract assets	0	0	0
Non-current other financial assets	976	0	976
Non-current other assets	2,358	(1,157)	1,201
Deferred tax assets	7,557	523	8,080
Non-current securities	9,897	0	9,897
Total non-current assets	**55,037**	**(673)**	**54,364**
Current assets			
Inventories	29,688	(1,581)	28,107
Trade receivables	8,101	(1,718)	6,383
Current portion of other long-term financial assets	522	0	522
Current contract assets	0	469	469
Current other financial assets	1,257	0	1,257
Current other assets	2,576	37	2,613
Current tax assets	1,110	0	1,110
Current securities	1,551	0	1,551
Cash and cash equivalents	10,143	0	10,143
Total current assets	**54,948**	**(2,793)**	**52,155**
Assets and disposal group of assets classified as held for sale	1,148	0	1,148
Total assets	**111,133**	**(3,466)**	**107,667**
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	773	0	773
Reserves	7,732	(2,096)	5,636
Accumulated other comprehensive income	(4,845)	0	(4,845)
Treasury shares	(3)	0	(3)
Total equity attributable to equity owners of the parent	**3,657**	**(2,096)**	**1,561**
Non-controlling interests	(5)	0	(5)
Total equity	**3,652**	**(2,096)**	**1,556**
Liabilities			
Non-current liabilities			
Non-current provisions	10,826	(648)	10,178
Long-term financing liabilities	8,791	0	8,791
Non-current contract liabilities	0	14,642	14,642
Non-current other financial liabilities	13,313	(348)	12,965
Non-current other liabilities	16,279	(15,969)	310
Deferred tax liabilities	1,292	(188)	1,104
Non-current deferred income	288	(155)	133
Total non-current liabilities	**50,789**	**(2,666)**	**48,123**
Current liabilities			
Current provisions	6,143	(202)	5,941
Short-term financing liabilities	1,687	0	1,687
Trade liabilities	12,532	389	12,921
Current contract liabilities	0	25,655	25,655
Current other financial liabilities	5,761	(117)	5,644
Current other liabilities	27,535	(24,114)	3,421
Current tax liabilities	1,126	0	1,126
Current deferred income	917	(315)	602
Total current liabilities	**55,701**	**1,296**	**56,997**
Disposal group of liabilities classified as held for sale	991	0	991
Total liabilities	**107,481**	**(1,370)**	**106,111**
Total equity and liabilities	**111,133**	**(3,466)**	**107,667**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017:

(In € million)	As previously reported	IFRS 15	As restated
Revenue	**66,767**	**(7,745)**	**59,022**
Cost of sales	(59,160)	7,011	(52,149)
Gross margin	**7,607**	**(734)**	**6,873**
Selling expenses	(872)	0	(872)
Administrative expenses	(1,567)	0	(1,567)
Research and development expenses	(2,807)	0	(2,807)
Other income	981	0	981
Other expenses	(336)	0	(336)
Share of profit from investments accounted for under the equity method	333	(22)	311
Other income from investments	82	0	82
Profit before financial result and income taxes	**3,421**	**(756)**	**2,665**
Interest income	189	0	189
Interest expense	(517)	0	(517)
Other financial result	1,477	12	1,489
Total financial result	1,149	12	1,161
Income taxes	(1,693)	231	(1,462)
Profit for the period	**2,877**	**(513)**	**2,364**
Attributable to:			
Equity owners of the parent (Net income)	2,873	(512)	2,361
Non-controlling interests	4	(1)	3
Earnings per share	**€**	**€**	**€**
Basic	3.71	(0.66)	3.05
Diluted	3.70	(0.66)	3.04

IFRS 9 "Financial Instruments"

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial instruments: recognition and measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company adopted the new standard on 1 January 2018 and has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the reporting period, with the difference recognised in opening equity.

Classification and Measurement

From 1 January 2018, the Company classifies its financial assets according to IFRS 9 using the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through OCI or through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortised cost — This category comprises assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. It includes trade receivables.

Financial assets at fair value through OCI — This category comprises:

(i) Equity investments that are not held for trading. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) are recognised in OCI. Unlike the treatment of "available-for-sale" equity investments under IAS 39, amounts presented in OCI are not subsequently transferred to profit and loss on derecognition of the equity investment nor in the event of an impairment. The Company has remeasured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using valuation methods such as net asset values or a comparable company valuation multiples technique.

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(ii) Debt instruments where contractual cash flows are solely payments of principal and interest, and that are held both for sales and collecting contractual cash flows. These instruments include the bond securities portfolio and are measured in a manner similar to the "available-for- sale" debt instruments under IAS 39.

Financial assets at fair value through profit and loss — This category comprises all other financial assets (*e.g.* derivative instruments) that are to be measured at fair value (including equity investments for which the Company did not elect to present changes in fair value in OCI).

The impact of IFRS 9 on the classification and measurement of financial assets is set out in the "measurement categories of financial instruments" table.

Impairment

From January 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through OCI. The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. Similarly, the Company has determined that its trade receivables and contract assets generally have low credit risk. The Company has applied the simplified approach permitted by IFRS 9 of measuring expected credit losses of trade receivables and contract assets on a life-time basis from initial recognition.

Hedge Accounting

Hedging instruments in place as at 31 December 2017 qualify as hedges under IFRS 9. The Company's risk management strategies and hedge documentation are aligned with the requirement of the new standard and hedge accounting continues to apply.

With the adoption of IFRS 9, the Company accounts for changes in the time value of its foreign currency options as a cost of hedging through OCI and recognises them as a separate component of equity. The cumulative cost-of-hedging will be reclassified to profit or loss when the hedged transaction affects profit or loss.

Applying the cost-of-hedging guidance to foreign currency options retrospectively results in an increase of the 2018 opening balance of AOCI by €+172 million on a net of tax basis and a corresponding decrease of the opening balance of retained earnings. As a result, retrospective application does not change the total equity as of 1 January 2018 that would otherwise have been reported.

New Hedge Strategy

As of 30 June 2018, the Company adopted a new hedge strategy to hedge its net exposure (US dollar revenue less US dollar cost) resulting from commercial aircraft deliveries of specific aircraft types. The strategy more closely aligns hedge accounting with risk management activities.

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month. In contrast to the first flow approach that was previously used (which is described in "— Note 35.1: Financial Risk Management"), the new strategy assigns the hedging instruments to a specified number of monthly deliveries of a specific aircraft type and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

If such a shift in hedged deliveries occurs, hedge ineffectiveness will arise to the extent the maturities of the hedging instrument and the expected timing of the hedged cash flows are no longer perfectly aligned. In order to minimise such ineffectiveness the Company will close the timing gap by rolling over hedges to new maturities, using foreign exchange swap contracts. The hedge results will move along with the hedged deliveries. In addition, the Company will designate the risk of changes in the spot element as the hedged risk in order to eliminate the ineffectiveness resulting from changes in forward points between different maturities. The forward element will be accounted for as a cost of hedging similar to the time value of options.

According to the prospective application requirement of IFRS 9, the fair values of the legacy portfolio in place at inception of the new strategy continue to be assigned to the previous first flow hedge regime and remain in the hedge reserve in OCI, to be recognised in profit and loss only at maturity of the originally hedged cash flows (unless those cash flows are no longer expected to occur).

As a result of prospective application, the hedging instruments designated under the new strategy will have a non-zero fair value at hedge inception, which may create some small ineffectiveness.

Another source of ineffectiveness will be the counterparty credit risk inherent in the hedge portfolio. As such, credit risk is absent from the hedged cash flows. However, since netting arrangements are in place with all the hedge counterparties and the Company has a policy of trading with investment grade counterparties only, the credit risk arising from its hedging instruments, and associated changes in credit risk, have historically been negligible and are expected to remain so.

The hedging strategies otherwise used by the group are essentially the same as those used before transition to IFRS 9 and are described in detail in "— Note 35.1: Financial Risk Management". In some cases, the currency basis spread was excluded from the hedge on transition to IFRS 9 in order to improve hedge effectiveness. Changes in the currency basis spread will be accounted for as a cost of hedging similar to the time value of options. This change in the hedge designation had no impact on OCI or equity as of 1 January 2018, nor will it affect future profit and loss when the hedges mature (unless exceptional circumstances apply).

IFRS 9 Total Equity Impacts

The total impact on the Company's equity due to IFRS 9 as at 1 January 2018 is as follows:

(In € million)	1 January 2018
Opening equity - IAS 39	**10,742**
Increase in expected loss allowance for trade receivables and contract assets	(7)
Increase in expected loss allowance for other financial assets	(4)
Deferred tax effects	3
Adjustments to equity from adoption of IFRS 9	**(8)**
Opening equity - IFRS 9	**10,734**

The following table shows the measurement categories of financial instruments:

(In € million)	Measurement categories according to IAS 39	Carrying amount according to IAS 39 at 31 December 2017	Measurement categories according to IFRS 9	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	2,441	Fair value through OCI	1,088
			Fair value through profit and loss	1,353
Customer financing	Loans and receivables	771	Fair value through profit and loss	771
Other loans	Loans and receivables	1,521	Amortised cost	1,521
Trade receivables [1]	Loans and receivables	5,487	Amortised cost	5,487
Contract assets [1]	Loans and receivables	497	Amortised cost	497
Other financial assets				
Derivative instruments [2]	Fair value through profit and loss	3,564	Fair value through profit and loss	3,564
Non-derivative instruments	Loans and receivables	1,395	Amortised cost	1,395
Securities	Available-for-sale	12,571	Fair value through OCI	12,571
Cash and cash equivalents	Fair value through profit and loss	6,256	Fair value through profit and loss	6,256
	Available-for-sale	2,085	Fair value through OCI	900
			Fair value through profit and loss	1,185
	Loans and receivables	3,675	Amortised cost	3,675
Total [1]		**40,263**		**40,263**
Liabilities				
Financing liabilities				
Bonds and commercial papers	Amortised cost	(7,063)	Amortised cost	(7,063)
Liabilities to financial institutions and others	Amortised cost	(3,792)	Amortised cost	(3,792)
Finance lease liabilities	Other	(342)	Other	(342)
Other financial liabilities				
Derivative instruments [2]	Fair value through profit and loss	(2,271)	Fair value through profit and loss	(2,271)
European Governments' refundable advances	Amortised cost	(5,901)	Amortised cost	(5,901)
Others [1]	Amortised cost	(582)	Amortised cost	(582)
Trade liabilities [1]	Amortised cost	(13,406)	Amortised cost	(13,406)
Total [1]		**(33,357)**		**(33,357)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Most derivative instruments are designated as hedging instruments in cash flow hedges.

New, Revised or Amended IFRS Standards and Interpretations Issued but not yet Applied

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2018 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

Standards and amendments	IASB effective date for annual reporting periods beginning on or after	Endorsement status
IFRS 16 "Leases"	1 January 2019	Endorsed
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019	Endorsed
Amendments to IAS 19: Plan amendment, curtailment or settlement	1 January 2019	Not yet endorsed
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019	Endorsed
Annual improvements to IFRS standards 2015-2017	1 January 2019	Not yet endorsed
Amendments to IFRS 3: Definition of a business	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020	Not yet endorsed

IFRS 16 "Leases"

In May 2016, the IASB published the new standard IFRS 16, which replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating Leases—Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". IFRS 16 introduces a uniform lessee accounting model. Applying that model, a lessee is required to recognise a right-of-use asset representing the lessee's right to use the underlying asset and a financial liability representing the lessee's obligation to make future lease payments.

There are exemptions for short-term leases and leases of low-value assets. Lessor accounting remains comparable to that provided by the existing leases standard: lessors continue to classify their leases as operating leases or finance leases. The standard shall be applied for the first time in the first reporting period of a fiscal year that begins on or after 1 January 2019.

The transition to the new lease accounting from the existing rules will be accomplished using the modified retrospective method according to IFRS 16, therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company intends to use the following practical expedients provided by the standard at transition date:

- The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease will be maintained for existing contracts, in accordance with IFRS 16.
- On initial application of IFRS 16 to operating leases, the right-of-use to the leased asset will generally be measured at the amount of the lease liability, using the discount rate at the date of initial application. Where accrued lease liabilities existed, the right-of-use asset will be adjusted by the amount of the accrued lease liability under IFRS 16. Under IFRS 16, the measurement of the right-of-use at initial application will not include initial direct costs. In some cases, the value of right-of-use assets may differ from the value of the liabilities due to offsetting against existing provisions or as a result of valuation allowances.
- Not to apply the new recognition requirements to short-term leases and to leases of low value assets as soon as the new standard is effective.

The Company's operating leases mainly relate to real estate assets, company cars and equipment. The Company has finalised the implementation of a software to be used both to manage the Company's leases and to generate IFRS 16 calculations. So far, the most significant potential impact identified by the Company relates to its operating leases of real estate assets (such as land, warehouses, storage facilities and offices).

The final impact of IFRS 16 on the Company's Consolidated Financial Statements in the period of initial application will depend on future economic conditions, including incremental borrowing rates to be applied for the computation of the lease liability present value as of 1 January 2019, the composition of the lease portfolio at that date and the estimation of the lease terms, as extension and early termination options offered by lease agreements will need to be included in the calculation of the liability if their exercise or non-exercise is considered reasonably certain.

The analysis conducted as part of the Company wide project on initial application resulted in the probable recognition of lease liabilities totalling from € 1.2 billion to € 1.5 billion (1 January 2019) as a result of the transition. Net cash will decrease accordingly due to the increase in lease liabilities. The impact of applying IFRS 16 on profit before finance costs and income taxes and profit for the period will not be significant. The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

IFRIC 23 "Uncertainty over Income Tax Treatments"

On May 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019, while earlier application is permitted.

The Company is currently assessing the impacts of adopting the interpretation on the Company's Consolidated Financial Statements which might trigger some reclassification from provisions to tax liabilities.

2.2 Airbus Structure

5. Scope of Consolidation

Consolidation — The Company's Consolidated Financial Statements include the financial statements of Airbus SE and all material subsidiaries controlled by the Company. The Company's subsidiaries prepare their financial statements at the same reporting date as the Company's Consolidated Financial Statements (see Appendix "Simplified Airbus Structure" chart).

Subsidiaries are entities controlled by the Company including so-called structured entities, which are created to accomplish a narrow and well-defined objective (see "— Note 25: Sales Financing Transactions"). They are fully consolidated from the date control commences to the date control ceases.

The assessment of control of a structured entity is performed in three steps. In a first step, the Company identifies the relevant activities of the structured entities (which may include managing lease receivables, managing the sale or re-lease at the end of the lease and managing the sale or re-lease on default) and in a second step, the Company assesses which activity is expected to have the most significant impact on the structured entities' return. Finally, the Company determines which party or parties control this activity.

The Company's interests in equity-accounted investees comprise investments in associates and joint ventures. Such investments are accounted for under the equity method and are initially recognised at cost.

The financial statements of the Company's investments in associates and joint ventures are generally prepared for the same reporting period as for the parent company. Adjustments are made where necessary to bring the accounting policies and accounting periods in line with those of the Company.

PERIMETER OF CONSOLIDATION

	31 December	
(Number of companies)	**2018**	2017
Fully consolidated entities	189	207
Investments accounted for under the equity method		
in joint ventures	45	40
in associates	19	23
Total	**253**	**270**

For more details related to unconsolidated and consolidated structured entities, see "— Note 25: Sales Financing Transactions".

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6. Acquisitions and Disposals

Business combinations are accounted for using the acquisition method, as at the acquisition date, which is the date on which control is transferred to the Company.

The determination of the fair value of the acquired assets and the assumed liabilities which are the basis for the measurement of goodwill requires significant estimates. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows. These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Loss of control, loss of joint control, loss of significant influence — Upon loss of control of a subsidiary, the assets and liabilities and any components of the Company's equity related to the subsidiary are derecognised. Any gain or loss arising from the loss of control is recognised within other income or other expenses in the Consolidated Income Statement. If the Company retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost.

Assets and liabilities of a material subsidiary for which a loss of control is highly probable are classified as assets and liabilities held for sale when the Company has received sufficient evidence that the loss of control will occur in the 12 months after the classification. These assets and liabilities are presented after elimination of intercompany transactions.

When the loss of significant influence or the loss of joint control of an investment accounted under for the equity method is highly probable and is excepted to occur in the coming 12 months, this associate or joint venture is classified as an asset held for sale.

Sale of investment in an associate or joint venture — Any gain or loss arising from the disposal of investment accounted for under the equity method is recognised within share of profit from investments.

6.1 Acquisitions

On 16 October 2017, Airbus, Bombardier Inc. ("Bombardier") and Investissement Québec ("IQ") signed an agreement that brings together Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family. Under the agreement, Airbus will provide procurement, sales and marketing, and customer support expertise to the **C Series Aircraft Limited Partnership ("CSALP")**, the entity that manufactures and sells the C Series. The partnership brings together two complementary product lines.

On 8 June 2018, having received all required regulatory approvals, Airbus, Bombardier and IQ closed the C Series transaction effective on 1 July 2018.

On 1 July 2018, Airbus has taken the control of C Series programme and acquired 50.01% Class A ownership units in CSALP. Bombardier and IQ will own 33.55% and 16.44%, respectively. Airbus has consolidated CSALP using the full integration method effective from 1 July 2018. At closing, Airbus paid US$ 1 per share to assume a net liability. Technology and inventories are the main assets acquired. Airbus has assumed the liabilities of CSALP which are mainly related to customer contracts in the backlog, trade payables, advance payments received and refundable advance liabilities. The functional currency of CSALP is US dollar.

Bombardier will continue with its current funding plan of CSALP. Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of US$ 225 million; during 2019, up to a maximum of US$ 350 million; and up to a maximum aggregate amount of US$ 350 million over the following two years, in consideration for non-voting participating Class B common units of CSALP. Airbus has the choice to reimburse Bombardier's funding for the nominal amount plus a yearly 2% interest or for an amount equal to the fair value of the shares of CSALP at the purchase date of Class A ownership units.

Airbus benefits from call rights in respect of all of Bombardier's interests in CSALP at fair market value, with the amount for Class B shares subscribed by Bombardier capped at the invested amount plus accrued interests if any, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain changes in the control of Bombardier, in which case the right is accelerated. Airbus also benefits from call rights in respect of all IQ's interests in CSALP at fair market value no earlier than 4.5 years following the closing.

Bombardier benefits from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interests in the partnership.

Airbus used the full goodwill approach to account for this transaction. Bombardier's and IQ's interests in CSALP are measured at their estimated fair value. The fair value measurement of the assets acquired and liabilities assumed has been performed by an independent expert. According to IFRS 3, the fair values of acquired assets and assumed liabilities have been determined excluding Airbus specific synergies (mainly with respect to volumes sold and manufacturing costs).

The transaction has been approved by the Board of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The partnership's head office, primary assembly line and related functions will be based in Mirabel, Québec (Canada).

The following table summarises the final allocation of the purchase price to the acquired assets and the assumed liabilities at the acquisition date:

(In € million)	Total
Intangible assets [1]	1,377
Property, plant and equipment	252
Deferred tax assets	86
Inventories [2]	660
Trade receivables	8
Other financial assets	350
Other assets	93
Cash and cash equivalents	129
Total assets acquired	**2,955**
Provisions / Acquired customer contracts [3]	2,609
Deferred tax liabilities	77
Trade liabilities	270
Contract liabilities	685
Other financial liabilities	827
Other liabilities	356
Total liabilities assumed	**4,824**
Net assets assumed	**1,870**
Non-controlling interests (at fair value, *i.e.* including synergies provided by the acquirer) [4]	2,246
Consideration transferred [5]	(225)
Goodwill arising on acquisition [6]	**3,891**

(1) Intangible assets: Mainly include the acquired technology for the A220 programme. The fair value of the programme was measured using the "multi-excess earnings method" and is equal to the present value of the after-tax cash flows attributable to future deliveries excluding existing contracts in the backlog which are valued separately. The technology will be amortised over the expected number of aircraft to be delivered over the programme useful life.

(2) Inventories: The fair value of the inventories has been measured considering net contractual selling prices.

(3) Acquired customer contracts: This represents the present value of the excess of expected fulfilment costs over contractual selling prices for all acquired customer contracts in the backlog. Estimated fulfilment costs include both direct costs that will be recognised in gross margin and contributory asset charges to reflect the return required on other assets that contribute to the generation of the forecast cash flows. This liability will be released as a reduction of cost of sales based on the delivered aircraft considered in the measurement of the liability.

(4) Non-controlling interests: Airbus has recognised a financial liability at fair value for the estimated exercise price of the written put options on non-controlling interests (Bombardier put option and IQ tag along). According to the accounting policy of the Company, changes in the fair value of the liability are recognised directly in equity.

(5) Consideration transferred: Airbus paid US$1 per share (754 shares) to acquire 50.01% of CSALP and received 100,000,000 warrants which are each entitled to one Class B Bombardier common share at a strike price equal to the US equivalent of Can$2.29. The fair value amounted to US$263 million as at 1 July 2018. As a result, the consideration transferred is negative.

(6) Goodwill: The goodwill mostly represents Airbus specific synergies expected from the acquisition, which have been excluded from the fair value measurement of the identifiable net assets. These synergies mainly relate to higher expected volumes of aircraft sold and lower manufacturing costs. CSALP is part of the cash generating unit ("CGU") Airbus and will be tested for impairment on an annual basis. The opening balance sheet after purchase price allocation of CSALP has been audited as at 1 July 2018. In accordance with IFRS 3 "Business Combinations", the opening balance sheet of CSALP might vary during the 12 month allocation period which ends 1 July 2019. Airbus will retrospectively adjust the initial accounting to reflect new information that would have affected the recognition or the measurement of these amounts as of 1 July 2018.

6.2 Disposals

On 7 March 2018, the Company finalised the sale of **Plant Holdings, Inc.**, held by the Airbus DS Communications Inc. business, to Motorola Solutions after receiving the required regulatory approvals. Airbus Defence and Space recognised a gain of € 159 million, reported in other income.

On 1 October 2018, the Company completed the disposal of its subsidiary **Compañía Española de Sistemas Aeronáuticos, S.A. ("CESA")** to Héroux-Devtek Inc. ("Héroux-Devtek"), for a purchase price of € 114 million.

On 28 February 2017, the Company sold its **defence electronics business**, a leading global provider of mission-critical sensors, integrated systems and services for premium defence and security applications mainly based in Ulm (Germany), to affiliates of KKR & Co. L.P. (the acquirer), a leading global investment firm. The German defence electronics business was sold for € 823 million, Airbus Defence and Space recognised a net gain on sale of € 604 million. The closing for the French defence electronics business will occur after full separation of the business sold from Airbus other business activities and is expected to take place in 2018. The divestment is part of the strategic review of the Airbus Defence and Space business portfolio. The assets and liabilities of this company were classified as a disposal group held for sale as of 31 December 2016. With respect to extending security clearance for the Airbus Defence and Space business, Airbus made a 25.1% reinvestment into **Hensoldt**

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Holding Germany GmbH, a subsidiary of the acquirer which now holds the transferred business. The reinvestment took the form of an equity investment of € 6 million and a shareholder loan of € 109 million. In addition, the reinvestment agreement provides for a combined put/call option mechanism which is subject to full separation being achieved and will then allow the acquirer to take over Airbus' equity investment and shareholder loan at a pre-determined price at any time, and Airbus to sell them to the acquirer at that price after three years.

On 3 April 2017, Airbus sold its 49% stake in **Atlas** to Thyssen Krupp.

The **ArianeGroup** (formerly Airbus Safran Launchers, "ASL") joint venture transaction was finalised in 2017 with a final agreement on Airbus contribution balance sheet leading to € 52 million additional capital gain on the period. The purchase price allocation was completed as of 30 June 2017. The purchase price was mainly allocated to identified intangible assets for a € 395 million value, a € 16 million depreciation expense net of tax was recognised in 2017 (2016: € 7 million based on preliminary allocation). The remaining goodwill is part of the value of the investment accounted for under the equity method in ArianeGroup (see "— Note 7: Investments Accounted for under the Equity Method").

On 17 October 2017, Airbus and StandardAero Aviation Holdings, Inc signed a sale purchase agreement for **Vector Aerospace Holding SAS ("Vector")** which was closed on 3 November 2017. Vector is a global aerospace maintenance, repair and overhaul company, providing quality support for turbine engines, components, and fixed and rotary-wing aircraft. It generated revenues of € 638 million in 2016 and employs approximately 2,200 people in 22 locations. Airbus Helicopters received € 542 million and recognised a non-material gain which is reflected in other income.

6.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2018, the Company accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 334 million (2017: € 202 million). **Disposal group of liabilities classified as held for sale** as of 31 December 2018 amount to € 432 million (2017: € 106 million). In 2018 and 2017, it is related to Alestis Areospace S.L and to non-core businesses entities within Airbus Defence and Space, respectively.

The assets and disposal group of assets and liabilities classified as held for sale consist of:

	31 December	
(In € million)	**2018**	2017
Non-current assets	232	100
Inventories	21	16
Trade receivables	63	74
Other assets	2	7
Cash and cash equivalents	16	5
Assets and disposal groups of assets classified as held for sale	**334**	**202**
Provisions	3	19
Non-current financing liabilities	201	0
Trade liabilities	42	16
Other liabilities	186	71
Disposal groups of liabilities classified as held for sale	**432**	**106**

6.4 Cash Flows from Disposals including Assets and Disposal Groups Classified as Held for Sale

The following table provides details on cash flows from disposals (resulting in assets and liabilities disposed) of subsidiaries, joint ventures and businesses:

(In € million)	**2018**	2017
Total selling price received by cash and cash equivalents	325	1,298
Cash and cash equivalents included in the disposed subsidiaries	(5)	(28)
Total	**320**	**1,270**

The aggregate cash flows from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2018 result mainly from the sale of Plant Holdings, Inc. and CESA.

In 2017, they result mainly from the sale of the defence electronics business, the sale of Vector and the completion of ArianeGroup.

7. Investments Accounted for under the Equity Method

	31 December	
(In € million)	**2018**	2017
Investments in joint ventures [(1)]	1,484	1,424
Investments in associates	209	193
Total [(1)]	**1,693**	**1,617**

(1) Previous year figures are restated due to the application of IFRS 15.

Investments accounted for under the equity method increased by € +76 million to € 1,693 million (2017 (restated): € 1,617 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

7.1 Investments in Joint Ventures

The joint ventures in which the Company holds an interest are structured in separate incorporated companies. Under joint arrangement agreements, unanimous consent is required from all parties to the agreement for all relevant activities. The Company and its partners have rights to the net assets of these entities through the terms of the contractual agreements.

The Company's interest in its joint ventures, accounted for under the equity method, is stated in aggregate in the following table:

(In € million)	**2018**	2017
Carrying amount of the investment at 1 January [(1)]	**1,424**	**1,398**
Share of results from continuing operations [(1)]	291	274
Share of other comprehensive income	(15)	53
Dividends received during the year	(182)	(255)
Others [(2)]	(34)	(46)
Carrying amount of the investment at 31 December [(1)]	**1,484**	**1,424**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) In 2018, it includes the impact of the disposal of Aquitaine. In 2017, it includes the impact of the finalisation of the ArianeGroup joint venture transaction, see "— Note 6: Acquisitions and Disposals".

The Company's individually material joint ventures are ArianeGroup, Paris (France), MBDA S.A.S., Paris (France), and ATR GIE, Blagnac (France), as parent companies of their respective groups. These joint venture companies are not publicly listed.

ArianeGroup is a 50% joint venture between the Company and Safran. ArianeGroup is the head company in a group comprising several subsidiaries and affiliates, all leading companies in their fields, such as: APP, Arianespace, Cilas, Eurockot, Eurocryospace, Europropulsion, Nuclétudes, Pyroalliance, Regulus, Sodern and Starsem. ArianeGroup inherits a rich portfolio of products and services, enabling it to deliver innovative and competitive solutions to numerous customers around the world.

The Company holds a 37.5% stake in **MBDA** at 31 December 2018 and 2017, which is a joint venture between the Company, BAE Systems and Leonardo (formerly Finmeccanica). MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence and maritime superiority, as well as advanced technological solutions for battlefield engagement.

ATR GIE manufactures advanced turboprop aircraft. It is a 50% joint venture between Leonardo (formerly Finmeccanica) group company and the Company. Both Leonardo and the Company provide airframes which are assembled by ATR GIE in France. The members of ATR GIE are legally entitled exclusively to the benefits and are liable for the commitments of the Company. ATR GIE is obliged to transfer its cash to each member of the joint venture.

The following table summarises financial information for ArianeGroup, MBDA and ATR GIE based on their Consolidated Financial Statements prepared in accordance with IFRS:

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2018**	2017	**2018**	2017	**2018**	2017
Revenue [1]	3,587	3,221	3,164	2,982	1,498	1,600
Depreciation and amortisation	(128)	(112)	(107)	(95)	(19)	(42)
Interest income	5	2	9	9	0	0
Interest expense [1]	(3)	(9)	(6)	(6)	0	0
Income tax expense [1]	(83)	(58)	(99)	(92)	(3)	(7)
Profit from continuing operations [1]	251	228	239	201	193	265
Other comprehensive income	(14)	38	5	145	0	0
Total comprehensive income (100%) [1]	**237**	**266**	**244**	**346**	**193**	**265**
Non-current assets [1]	5,748	5,578	2,437	2,385	172	159
Current assets [1]	6,626	5,360	7,654	6,728	674	743
thereof cash and cash equivalents	*507*	*807*	*2,658*	*2,818*	*3*	*8*
Non-current liabilities	688	495	1,046	1,145	87	131
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*137*	*31*	*9*	*0*	*0*	*0*
Current liabilities [1]	7,514	6,448	8,462	7,537	460	426
thereof current financial liabilities (excluding trade and other payables and provisions)	*28*	*36*	*6*	*55*	*0*	*0*
Total equity (100%) [1]	**4,172**	**3,995**	**583**	**431**	**299**	**345**
Equity attributable to the equity owners of the parent [1]	4,157	3,988	583	431	299	345
Non-controlling interests	15	7	0	0	0	0

(1) Previous year figures are restated due to the application of IFRS 15.

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2018**	2017	**2018**	2017	**2018**	2017
The Company's interest in equity on investee [1]	2,078	1,994	218	162	150	173
Goodwill	244	244	282	282	0	0
PPA adjustments, net of tax	(1,519)	(1,520)	0	0	0	0
The Company DS PPA (including 2016 A6 catch-up)	(37)	(17)	0	0	0	0
Contingent liability release adjustment	(25)	(15)	0	0	0	0
Fair value adjustments and modifications for differences in accounting policies [1]	(21)	10	(11)	(12)	0	0
Dividend adjustment	0	0	(26)	(35)	0	0
Elimination of downstream inventory	2	2	0	0	(4)	(4)
Carrying amount of the investment at 31 December [1]	**722**	**698**	**463**	**397**	**146**	**169**

(1) Previous year figures are restated due to the application of IFRS 15.

The development of these investments is as follows: [1]

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2018**	2017	**2018**	2017	**2018**	2017
Carrying amount of the investment at 1 January	**698**	**694**	**397**	**320**	**169**	**224**
Share of results from continuing operations	88	68	91	76	98	133
Share of other comprehensive income	(8)	13	(1)	54	4	(14)
Dividends received during the year	(26)	(25)	(26)	(53)	(125)	(174)
Changes in consolidation	0	0	0	0	0	0
Others	(30)	(52)	2	0	0	0
Carrying amount of the investment at 31 December	**722**	**698**	**463**	**397**	**146**	**169**

(1) Previous year figures are restated due to the application of IFRS 15.

The Company's share of contingent liabilities as of 31 December 2018 relating to MBDA is €420 million (2017: €308 million).

7.2 Investments in Associates

The Company's interests in associates, accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2018**	2017
Carrying amount of the investment at 1 January	**193**	**171**
Share of results from continuing operations	39	37
Share of other comprehensive income	11	(7)
Dividends received during the year	(36)	(8)
Changes in consolidation	1	0
Others	1	0
Carrying amount of the investment at 31 December	**209**	**193**

The cumulative unrecognised comprehensive loss for these associates amounts to € -30 million and € -47 million as of 31 December 2018 and 2017, respectively (thereof € 17 million for the period).

8. Related Party Transactions

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expenses	Receivables due at 31 December	Payables due at 31 December	Loans granted / Other receivables due at 31 December	Loans received / Other liabilities due at 31 December
2018						
Total transactions with associates	13	222	3	39	95	20
Total transactions with joint ventures	2,197	209	1,200	1,175	0	1,121
2017 (1)						
Total transactions with associates	7	234	5	39	92	14
Total transactions with joint ventures	2,615	425	989	463	1	1,076

(1) Previous year figures are restated due to the application of IFRS 15.

Transactions with unconsolidated subsidiaries are immaterial to the Company's Consolidated Financial Statements.

As of 31 December 2018, the Company granted guarantees of € 129 million to Air Tanker Group in the UK (2017: € 152 million).

For information regarding the funding of the Company's pension plans, which are considered as related parties, see "— Note 29: Post-Employment Benefits".

The information relative to compensation and benefits granted to Members of the Executive Committee and Board of Directors are disclosed in "— Note 31: Remuneration".

2.3 Segment Information

The Company operates in three reportable segments which reflect the internal organisational and management structure according to the nature of the products and services provided.

- **Airbus** (formerly Airbus Commercial Aircraft and Headquarters) — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components. It also includes the holding function of the Company and its bank activities.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military Aircraft design, development, delivery, and support of military aircraft such as combat, mission, transport and tanker aircraft as well as Unmanned Aerial systems and their associated services. Space Systems design, development, delivery, and support of full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Communication, Intelligence & Security provision of services around data processing from platforms, secure communication and cyber security. In addition, the main joint ventures design, develop, deliver, and support missile systems as well as space launcher systems.

9. Segment Information

The following table presents information with respect to the Company's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus and Airbus Defence and Space and between Airbus Helicopters and Airbus. Other activities not allocable to the reportable segments, together with consolidation effects, are disclosed in the column "Transversal/Eliminations".

The Company uses EBIT as a key indicator of its economic performance.

Business segment information for the year ended 31 December 2018 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	**Consolidated Airbus**
Total revenue	47,970	5,934	11,063	0	64,967
Internal revenue	(771)	(411)	(78)	0	(1,260)
Revenue	**47,199**	**5,523**	**10,985**	**0**	**63,707**
thereof:					
sales of goods at a point in time	*44,175*	*2,917*	*3,080*	*0*	*50,172*
sales of goods over time	*23*	*362*	*4,579*	*0*	*4,964*
services, including sales of spare parts	*3,001*	*2,244*	*3,326*	*0*	*8,571*
Profit before finance result and income taxes (EBIT)	**4,295**	**366**	**676**	**(289)**	**5,048**
thereof:					
depreciation and amortisation	*1,794*	*167*	*457*	*26*	*2,444*
research and development expenses	*(2,214)*	*(315)*	*(328)*	*(360)*	*(3,217)*
share of profit from investments accounted for under the equity method	*114*	*10*	*206*	*0*	*330*
additions to other provisions (1)	(2,843)	(569)	(1,652)	8	(5,056)
Interest result					(232)
Other financial result					(531)
Income taxes					(1,274)
Profit for the period					**3,011**

(1) See "— Note 22: Provisions, Contingent Assets and Contingent Liabilities".

Business segment information for the year ended 31 December 2017 is as follows: [1]

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	43,486	6,335	10,596	0	60,417
Internal revenue	(819)	(476)	(100)	0	(1,395)
Revenue	**42,667**	**5,859**	**10,496**	**0**	**59,022**
thereof:					
sales of goods at a point in time	*39,955*	*2,898*	*2,015*	*0*	*44,868*
sales of goods over time	*0*	*332*	*5,624*	*0*	*5,956*
services, including sales of spare parts	*2,712*	*2,629*	*2,857*	*0*	*8,198*
Profit before finance result and income taxes (EBIT)	**2,257**	**247**	**462**	**(301)**	**2,665**
thereof:					
depreciation and amortisation	*(1,661)*	*(209)*	*(429)*	*1*	*(2,298)*
research and development expenses	*(1,842)*	*(306)*	*(322)*	*(337)*	*(2,807)*
share of profit from investments accounted for under the equity method	*144*	*5*	*161*	*1*	*311*
additions to other provisions	*(895)*	*(619)*	*(2,399)*	*(11)*	*(3,924)*
Interest result					(328)
Other financial result					1,489
Income taxes					(1,462)
Profit for the period					**2,364**

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

Segment capital expenditures	31 December	
(In € million)	**2018**	2017 [2]
Airbus	1,618	1,885
Airbus Helicopters	149	192
Airbus Defence and Space	518	481
Transversal / Eliminations	0	0
Total capital expenditures [1]	**2,285**	**2,558**

(1) Excluding expenditure for leased assets.
(2) The divisional figures are restated due to the new segment structure.

Segment assets	31 December	
(In € million)	**2018**	2017 [1]
Airbus	66,612	60,143
Airbus Helicopters	8,885	9,666
Airbus Defence and Space	19,056	17,763
Transversal / Eliminations	(8,182)	(8,388)
Total segment assets	**86,371**	**79,184**
Unallocated		
Deferred and current tax assets	6,286	5,476
Securities	12,794	12,571
Cash and cash equivalents	9,413	12,016
Assets classified as held for sale	334	202
Total assets	**115,198**	**109,449**

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

Revenue by geographical areas is disclosed in "— Note 10: Revenue and Gross Margin". Property, plant and equipment by geographical areas is disclosed in "— Note 18: Property, Plant and Equipment".

Segment order backlog	31 December 2018	
	(In € million)	*(In %)*
Airbus	**411,659**	**90**
Airbus Helicopters	**14,943**	**3**
Airbus Defence and Space	**35,316**	**8**
Transversal / Eliminations	**(2,393)**	**(1)**
Total	**459,525**	**100**

As of 31 December 2018, the total backlog represents the aggregate amount of the transaction price allocated to the unsatisfied and partially unsatisfied performance obligations to the Company's customers. Backlog commitments are relative to the Company's enforceable contracts with its customers where it is probable that the consideration will be collected. The value of the backlog is measured in accordance with the revenue recognition standard (IFRS 15) implemented from 1 January 2018. As a result, contractual rebates, engines concessions, and variable considerations are taken into consideration for measurement. Contracts stipulated in a currency different than the presentation currency are translated to euro using the spot rate as of 31 December 2018. Adjustments to the value of the backlog could result from changes in the transaction price. The backlog will mainly be released into revenue over a period of seven years.

2.4 Airbus Performance

10. Revenue and Gross Margin

Revenue increased by €+4,685 million to €63,707 million (2017 (restated): €59,022 million). The increase relates mainly to Airbus (€+4,484 million), mostly driven by higher deliveries of 800 aircraft (in 2017: 718 aircraft), and to Airbus Defence and Space (€+467 million), principally reflecting an increase in Military Aircraft. This was partly reduced due to the perimeter change at Airbus Helicopters (€-401 million).

Revenue by geographical areas based on the location of the customer is as follows:

(In € million)	**2018**	2017 (1)
Asia-Pacific	23,297	21,319
Europe	17,780	15,767
North America	11,144	10,836
Middle East	6,379	7,211
Latin America	1,437	894
Other countries	3,670	2,995
Total	**63,707**	**59,022**

(1) Previous year figures are restated due to the application of IFRS 15.

The **gross margin** increased by €+1,914 million to €8,787 million compared to €6,873 million in 2017 (restated), mainly driven by higher deliveries, improved performance and favourable foreign exchange impact at Airbus, partly offset by impairments and provisions recognised on the A380 programme. It also reflects a positive impact from lower charges at Airbus Defence and Space on the A400M programme. The gross margin rate increased from 11.6% (restated) to 13.8%.

In 2018, Airbus has delivered 93 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2018 have been reflected in the financial statements.

The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer commitments. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up continues.

In 2018, the Company's largest A380 operator has reviewed its aircraft fleet strategy going forward and has concluded it is forced to restructure and reduce its A380 order by 39 aircraft. The Company entered into discussions with the customer in late 2018 which finally resulted in the signature of a head of agreement on 11 February 2019. Without this customer's A380 order, the Company has no substantial order backlog and no basis to sustain A380 production, despite all sales and marketing efforts in recent years. As a consequence of this decision, deliveries of the A380 will cease in 2021.

At year-end 2018, in view of the above, the Company has reassessed accordingly the expected market assumptions and the recoverability and depreciation method of specific assets allocated to the A380 programme. As a result, the Company has impaired specific A380 assets in the amount of € 167 million, recognised an onerous contract provision for an amount of € 1,257 million and updated the measurement of refundable advances including interest accretion for a total amount of € 1,426 million. As a consequence, the recognition of the onerous contract provision as well as other specific provisions and the remeasurement of the liabilities have negatively affected the consolidated income statement before taxes by a net € 463 million in EBIT and positively impacted the other financial result by € 177 million.

17 A400M aircraft were delivered in 2018. In total, 74 aircraft have been delivered as of 31 December 2018. The Company continued with development activities toward achieving the revised capability roadmap with the achievement of an important development milestone according to schedule. Retrofit activities are progressing in line with the customer agreed plan.

In 2017, the Company entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 7 February 2018 agreeing on a global re-baselining of the contract, including a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule. The DOI represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of € 1,299 million for the year 2017 (restated equivalent loss following the implementation of IFRS 15 was € 992 million for the year 2017).

In 2018, the Company has been working together with OCCAR and concluded the negotiations on a contract amendment. The customer Nations are now set to endorse the agreement to allow pursuing the domestic approval processes with the objective to sign the contract amendment in the first half-year 2019. In the fourth quarter 2018 an update of the contract estimate at completion has triggered a net additional charge of € 436 million. This reflects the outcome of the negotiations, updated estimates on the export scenario during the launch contract phase of the A400M programme as well as applicable escalation and some cost increases. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines, and on cost reductions as per the revised baseline.

The A400M contractual SOC 1, SOC 1.5, SOC 2, SOC 2.5 and SOC 3 development milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, SOC 2 end of December 2015 and SOC 2.5 end of October 2017.

The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised as with the upcoming contract amendment these termination rights will be completely reviewed.

11. Research and Development Expenses

Research and development expenses increased by € +410 million to € 3,217 million compared to € 2,807 million in 2017, primarily reflecting R&D activities on the A320 programme. In addition, an amount of € 91 million of development costs has been capitalised, mainly related to Airbus Helicopters programmes.

12. Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

(In € million)	**2018**	2017
Share of profit from investments in joint ventures [1]	291	274
Share of profit from investments in associates	39	37
Share of profit from investments accounted for under the equity method [1]	**330**	**311**
Other income from investments	**109**	**82**

(1) Previous year figures are restated due to the application of IFRS 15.

Share of profit from investments under the equity method and **other income from investments** increased by €+46 million to €439 million compared to €393 million in 2017 (restated).

13. Other Income and Other Expenses

Other income increased by €+675 million to €1,656 million compared to €981 million in 2017. This increase is mainly related to the release of liabilities on the A380 programme and the gain of €159 million following the disposal of Plant Holdings, Inc. In 2017, it mainly included the capital gain of €604 million from the sale of the defence electronics business at Airbus Defence and Space. For more details, see "— Note 6: Acquisitions and Disposals").

Other expenses decreased by €-154 million to €-182 million compared to €-336 million in 2017, which included the arbitral award relating to the Republic of China (Taiwan). For more details, see "— Note 36: Litigation and Claims".

14. Total Financial Result

Interest income derived from the Company's asset management and lending activities is recognised as interest accrues, using the effective interest rate method.

(In € million)	**2018**	2017
Interests on European Governments' refundable advances	(181)	(270)
Others	(51)	(58)
Total interest result [1]	**(232)**	**(328)**
Change in fair value measurement of financial instruments	(340)	392
Foreign exchange translations on monetary items	(238)	219
Unwinding of discounted provisions [2]	(44)	(49)
Others	91	927
Total other financial result [2]	**(531)**	**1,489**
Total [2]	**(763)**	**1,161**

(1) In 2018, the total interest income amounts to €208 million (2017: €189 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-440 million (2017: €-517 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.
(2) Previous year figures are restated due to the application of IFRS 15.

Total financial result deteriorated by €-1,924 million to €-763 million compared to €1,161 million in 2017 (restated). This is due to a negative impact from foreign exchange valuation of monetary items and the revaluation of financial instruments, partly compensated by the net effect of the change of treatment of certain financial instruments under IFRS 9. In addition, in 2017 it included the impact of the decrease in the European Governments' refundable advances primarily related to the A380 programme.

15. Income Tax

The expense for income taxes is comprised of the following:

(In € million)	**2018**	2017
Current tax expense	(477)	(912)
Deferred tax expense [1]	(797)	(550)
Total [1]	**(1,274)**	**(1,462)**

(1) Previous year figures are restated due to the application of IFRS 15.

Main income tax rates and main changes impacting the Company:

(Rate in %)	2018	2019	>2019
Netherlands	25.00	25.00	25.00
France [1]	34.43	32.02	25.83
Germany	30.00	30.00	30.00
Spain	25.00	25.00	25.00
UK [2]	19.00	19.00	17.00

(1) A tax law has been enacted in 2017 changing the rate for income taxes from 34.43% to 32.02% for 2019, to 28.92% for 2020, to 27.37% for 2021 and to 25.83% from 2022.
(2) 20% until 31 March 2017, 19% from 1 April 2017 until 31 March 2020 and 17% from 1 April 2020.

The following table shows a reconciliation from the theoretical income tax (expense) using the Dutch corporate tax rate to the reported income tax (expense):

(In € million)	**2018**	2017 [1]
Profit before income taxes	4,285	3,826
Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	**(1,071)**	**(957)**
Effects from tax rate differentials / Change of tax rate	(41)	(233)
Capital gains and losses on disposals / mergers	40	148
Income from investment and associates	76	197
Tax credit	64	53
Change in valuation allowances [2]	(299)	(355)
Tax contingencies	(110)	(318)
Other non-deductible expenses and tax-free income	67	3
Reported tax (expense)	**(1,274)**	**(1,462)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Reassessments of the recoverability of deferred tax assets based on future taxable profits.

The **income tax** expense of € -1,274 million (2017 (restated): € -1,462 million) corresponds to an effective tax rate of 29.7% (2017 (restated): 38.2%).

In 2018, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. This was partially offset by the tax-free sale of Plant Holdings Inc. (see "— Note 6: Acquisitions and Disposals"). Without these impacts, the effective tax rate would be approximately 26%.

In 2017, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. It also included an additional income tax charge related to the French corporate tax surcharge and the reduction in deferred tax asset due to the income tax rate decrease in the US, both enacted end of 2017. This was partially compensated by the disposal of the defence electronics business, which is taxed at a reduced rate. Without these impacts, the effective tax rate would be approximately 26%.

As the Company controls the timing of the reversal of temporary differences associated with its subsidiaries (usually referred to as "outside basis differences") arising from yet undistributed profits and changes in foreign exchange rates, it does not recognise a deferred tax liability. For temporary differences arising from investments in associates the Company recognises deferred tax liabilities. The rate used reflects the assumptions that these differences will be recovered from dividend distribution unless a management resolution for the divestment of the investment exists at the closing date. For joint ventures, the Company assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2018, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised, amounts to € 132 million.

Deferred taxes on net operating losses ("NOLs"), trade tax loss carry forwards and tax credit carry forwards:

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2018**	31 December 2017
NOL	596	1,989	127	2,103	1,492	6,307	4,269
Trade tax loss carry forwards	0	2,020	0	0	0	2,020	1,051
Tax credit carry forwards	0	0	319	11	2	332	547
Tax effect	**154**	**601**	**351**	**369**	**393**	**1,868**	**1,617**
Valuation allowances	(113)	(415)	(74)	(49)	(364)	(1,015)	(733)
Deferred tax assets on NOLs and tax credit carry forwards	**41**	**186**	**277**	**320**	**29**	**853**	**884**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable under certain restrictions in France, Germany, the UK and Spain. They are usable for 20 years in Canada. In Spain, R&D tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€ 1 million) will expire in 2020. No deferred tax has been recognised for this tranche.

Roll forward of deferred taxes:

(In € million)	**2018**	2017 (1)
Net deferred tax assets at 1 January	**3,560**	**6,930**
Deferred tax expense in income statement	(797)	(550)
Deferred tax recognised directly in AOCI	754	(2,881)
Deferred tax on remeasurement of the net defined benefit pension plans	(28)	(26)
Others	27	87
Net deferred tax assets at 31 December	**3,516**	**3,560**

(1) Previous year figures are restated due to the application of IFRS 15.

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	**2018**	2017
Financial assets at fair value through OCI (previously available-for-sale investments)	(75)	(124)
Cash flow hedges	(446)	(238)
Deferred tax on remeasurement of the net defined benefit pension plans	1,694	1,652
Total	**1,173**	**1,290**

Deferred income taxes as of 31 December 2018 are related to the following assets and liabilities:

	1 January 2018 [1]		Other movements		Movement through income statement		**31 December 2018**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others [2]	R&D tax credits	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	70	(586)	0	0	0	201	147	(462)
Property, plant and equipment	681	(1,257)	0	1	0	177	613	(1,011)
Investments and other long-term financial assets	559	(167)	0	9	0	1,001	1,416	(14)
Inventories	1,376	(1,871)	0	0	0	1,898	1,416	(13)
Receivables and other assets	3,553	(3,286)	590	(61)	0	(1,831)	646	(1,681)
Prepaid expenses	0	(2)	0	0	0	14	12	0
Provisions for retirement plans	1,480	0	(156)	27	0	(713)	695	(57)
Other provisions	3,508	(1,239)	0	0	0	(335)	1,890	44
Liabilities	2,504	(2,211)	123	(4)	0	(1,214)	887	(1,689)
Deferred income	(94)	(67)	0	0	0	98	0	(63)
NOLs and tax credit carry forwards	1,617	0	0	86	(41)	206	1,868	0
Deferred tax assets (liabilities) before offsetting	**15,254**	**(10,686)**	**557**	**58**	**(41)**	**(498)**	**9,590**	**(4,946)**
Valuation allowances on deferred tax assets	(1,008)	0	169	11	0	(299)	(1,127)	0
Set-off	(9,684)	9,684	0	0	0	0	(3,628)	3,628
Net deferred tax assets (liabilities)	**4,562**	**(1,002)**	**726**	**69**	**(41)**	**(797)**	**4,835**	**(1,318)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

Deferred income taxes as of 31 December 2017 are related to the following assets and liabilities: [1]

	1 January 2017		Other movements		Movement through income statement		31 December 2017	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others [2]	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Intangible assets	70	(610)	0	15	0	9	70	(586)
Property, plant and equipment	741	(1,384)	0	(48)	0	115	681	(1,257)
Investments and other long-term financial assets	204	(303)	0	39	0	452	559	(167)
Inventories	1,431	(1,222)	0	45	0	(749)	1,376	(1,871)
Receivables and other assets	2,695	(1,011)	(918)	52	0	(551)	3,553	(3,286)
Prepaid expenses	1	0	0	0	0	(3)	0	(2)
Provisions for retirement plans	1,420	0	(34)	32	0	62	1,480	0
Other provisions	3,720	(1,492)	0	9	0	32	3,508	(1,239)
Liabilities	4,564	(2,676)	(2,159)	(3)	0	567	2,504	(2,211)
Deferred income	19	(102)	0	(77)	0	(1)	(94)	(67)
NOLs and tax credit carry forwards	1,706	0	0	0	39	(128)	1,617	0
Deferred tax assets (liabilities) before offsetting	**16,571**	**(8,800)**	**(3,111)**	**64**	**39**	**(195)**	**15,254**	**(10,686)**
Valuation allowances on deferred tax assets	(795)	0	204	(62)	0	(355)	(1,008)	0
Set-off	(7,696)	7,696	0	0	0	0	(9,684)	9,684
Net deferred tax assets (liabilities)	**8,080**	**(1,104)**	**(2,907)**	**2**	**39**	**(550)**	**4,562**	**(1,002)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

2

16. Earnings per Share

	2018	2017
Profit for the period attributable to equity owners of the parent (Net income) (1)	€3,054 million	€2,361 million
Weighted average number of ordinary shares	775,167,941	773,772,702
Basic earnings per share (1)	**€3.94**	**€3.05**

(1) Previous year figures are restated due to the application of IFRS 15.

Diluted earnings per share – The Company's categories of dilutive potential ordinary shares are share-settled Performance Units relating to **Long-Term Incentive Plans ("LTIP")** and the **convertible bond** issued on 1 July 2015. During 2018, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 752,107 shares (2017: 505,536 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in 2018, by adding back €7 million of interest expense to the profit for the period attributable to equity owners of the parent (2017: €7 million) and by including 5,022,990 of dilutive potential ordinary shares.

	2018	2017
Profit for the period attributable to equity owners of the parent (Net income), adjusted for diluted calculation (1)	€3,061 million	€2,368 million
Weighted average number of ordinary shares (diluted) (2)	780,943,038	779,301,228
Diluted earnings per share (1)	**€3.92**	**€3.04**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Dilution assumes conversion of all potential ordinary shares.

2.5 Operational Assets and Liabilities

17. Intangible Assets

Intangible assets comprise (i) goodwill (see "— Note 5: Scope of Consolidation"), (ii) capitalised development costs (see "— Note 2: Significant Accounting Policies") and (iii) other intangible assets, *e.g.* internally developed software and acquired intangible assets.

Intangible assets with finite useful lives are generally amortised on a straight-line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values.

31 December 2018 and 2017 comprise the following:

	31 December 2018			31 December 2017		
(In € million)	Gross amount	Amortisation / Impairment	Net book value	Gross amount	Amortisation / Impairment	Net book value
Goodwill	14,077	(1,038)	13,039	10,180	(1,040)	9,141
Capitalised development costs	3,070	(1,488)	1,582	3,104	(1,340)	1,763
Other intangible assets	4,572	(2,467)	2,105	3,135	(2,409)	725
Total	**21,719**	**(4,993)**	**16,726**	**16,418**	**(4,789)**	**11,629**

NET BOOK VALUE

(In € million)	Balance at 1 January 2018	Exchange differences	Additions	Changes in consolidation scope	Reclassification [1]	Disposals [1]	Amortisation / Impairment	**Balance at 31 December 2018**
Goodwill	9,141	12	0	3,894	(4)	(3)	0	13,039
Capitalised development costs	1,763	(2)	91	0	(12)	0	(259)	1,582
Other intangible assets	725	34	233	1,377	(59)	(7)	(199)	2,105
Total	**11,629**	**44**	**324**	**5,271**	**(75)**	**(10)**	**(458)**	**16,726**

(1) Includes intangible assets from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "— Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2017	Exchange differences	Additions	Changes in consolidation scope	Reclassification [1]	Disposals [1]	Amortisation / Impairment	Balance at 31 December 2017
Goodwill	9,425	(72)	0	0	(208)	(4)	0	9,141
Capitalised development costs	1,707	(8)	219	0	34	(5)	(185)	1,763
Other intangible assets	936	(27)	189	0	(164)	(2)	(207)	725
Total	**12,068**	**(107)**	**409**	**0**	**(338)**	**(11)**	**(392)**	**11,629**

(1) Includes intangible assets from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "— Note 6: Acquisitions and Disposals").

Intangible assets increased by € +5,097 million to € 16,726 million (2017: € 11,629 million). Intangible assets mainly relate to goodwill of € 13,039 million (2017: € 9,141 million). The increase is primarily due to the acquisition of CSALP (see "— Note 6: Acquisitions and Disposals").

Capitalised Development Costs

The Company has capitalised development costs in the amount of € 1,582 million as of 31 December 2018 (€ 1,763 million as of 31 December 2017), mainly for the A350 XWB programme (€ 678 million).

Impairment Tests

Each year the Company assesses whether there is an indication that a non-financial asset or a Cash Generating Unit ("CGU") to which the asset belongs may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment annually, irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of impairment testing, any goodwill is allocated to the CGU or group of CGUs in a way that reflects the way goodwill is monitored for internal management purposes.

The discounted cash flow method is used to determine the recoverable amount of a CGU or the group of CGUs to which goodwill is allocated. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Discount rates are based on the weighted average cost of capital ("WACC") for the groups of cash generating units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each group of CGUs by taking into account specific peer group information on beta factors, leverage and cost of debt. Consequently, slight changes to these elements can materially affect the resulting valuation and therefore the amount of a potential impairment charge.

These estimates are influenced by several assumptions including growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. Cash flow projections take into account past experience and represent management's best estimate of future developments.

As of 31 December 2018 and 2017, goodwill was allocated to CGUs or group of CGUs and is summarised in the following schedule:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Goodwill as of 31 December 2018	10,759	128	2,152	0	13,039
Goodwill as of 31 December 2017 (1)	6,852	129	2,160	0	9,141

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

The goodwill mainly relates to the creation of the Company in 2000 and the Airbus Combination in 2001.

The annual impairment tests performed in 2018 led to no impairment charge.

General Assumptions Applied in the Planning Process

The basis for determining the recoverable amount is the value in use of the CGUs. Generally, cash flow projections used for the Company's impairment testing are based on operative planning.

The operative planning, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:
- increase of expected future labour expenses of 2.0% (2017: 2.0%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2017: 1.25 US$/€) to convert in euro the portion of future US dollar which is not hedged (see "— Note 35: Information about Financial Instruments").

General economic data derived from external macroeconomic and financial studies have been used to derive the general key assumptions.

In addition to these general planning assumptions, the following additional CGU specific assumptions, which represent management's current best assessment as of the date of these Consolidated Financial Statements, have been applied in individual CGUs.

Airbus

- The planning takes into account the current production rate assumptions and provides an assessment of expected future deliveries on that basis.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on General Market Forecast updated in 2018. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- Due to the significant hedge portfolio, the carrying value and planned cash flows of the CGU Airbus are materially influenced.
- Cash flows are discounted using a euro weighted pre-tax WACC of 10.6% (2017: 9.6%).

Airbus Helicopters

- The planning takes into account the evolution of programmes based upon the current backlog and an assessment of order intake for platforms and services.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease over recent years in the civil and parapublic market partially driven by decrease of investment in oil and gas, needs of helicopter fleet renewal and growth markers and the increase of Airbus Helicopters market share in this environment. Current market evolutions are considered through sensitivities.
- Cash flows are discounted using a euro weighted pre-tax WACC of 10.4% (2017: 9.7%).

Airbus Defence and Space

- Overall the defence and space markets are expected to grow at a steady rate during the period of the operative planning horizon.
- Business growth is underpinned by growing defence opportunities boosted after finalisation of the successful portfolio re-shaping programme. Underlying performance is improved by focusing on project delivery, cost control and efficiency.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Cash flows are discounted using a euro weighted pre-tax WACC of 9.1% (2017: 8.3%).

18. Property, Plant and Equipment

Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Items of property, plant and equipment are generally depreciated on a straight-line basis. The following useful lives are assumed:

Buildings	10 to 50 years
Site improvements	6 to 30 years
Technical equipment and machinery	2 to 20 years
Jigs and tools [1]	5 years
Other equipment, factory and office equipment	2 to 10 years

(1) If more appropriate, jigs and tools are depreciated using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method).

Property, plant and equipment as of 31 December 2018 and 2017 comprises the following:

	31 December 2018			31 December 2017		
(In € million)	Gross amount	Depreciation / Impairment	Net book value [2]	Gross amount	Depreciation / Impairment	Net book value [2]
Land, leasehold improvements and buildings, including buildings on land owned by others	9,873	(4,692)	5,181	9,543	(4,452)	5,091
Technical equipment and machinery	21,994	(13,972)	8,022	21,004	(12,938)	8,066
Other equipment, factory and office equipment [1]	3,714	(2,812)	902	3,693	(2,754)	939
Construction in progress	2,668	0	2,668	2,514	0	2,514
Total	**38,249**	**(21,476)**	**16,773**	**36,754**	**(20,144)**	**16,610**

(1) Includes the net book value of aircraft under operating lease (see "— Note 25: Sales Financing Transactions").
(2) Buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts to €345 million (2017: €359 million).

NET BOOK VALUE

(In € million)	Balance at 1 January 2018	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication [1]	Disposals [1]	Depreciation/ Impairment	**Balance at 31 December 2018**
Land, leasehold improvements and buildings, including buildings on land owned by others	5,091	9	84	172	166	(40)	(301)	5,181
Technical equipment and machinery	8,066	70	391	69	888	(50)	(1,412)	8,022
Other equipment, factory and office equipment	939	10	147	0	50	(15)	(229)	902
Construction in progress	2,514	(7)	1,381	11	(1,223)	(8)	0	2,668
Total	**16,610**	**82**	**2,003**	**252**	**(119)**	**(113)**	**(1,942)**	**16,773**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "— Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2017	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals [(1)]	Depreciation/ Impairment	Balance at 31 December 2017
Land, leasehold improvements and buildings, including buildings on land owned by others	5,192	(58)	123	(1)	167	(41)	(291)	5,091
Technical equipment and machinery	8,255	(128)	429	7	900	(17)	(1,380)	8,066
Other equipment, factory and office equipment	994	(29)	335	3	79	(220)	(223)	939
Construction in progress	2,472	(22)	1,452	0	(1,384)	(4)	0	2,514
Total	**16,913**	**(237)**	**2,339**	**9**	**(238)**	**(282)**	**(1,894)**	**16,610**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "— Note 6: Acquisitions and Disposals").

Property, plant and equipment increased by €+163 million to €16,773 million (2017: €16,610 million), mainly at Airbus Defence and Space (€+150 million).

For details on assets related to lease arrangements on sales financing, see "— Note 25: Sales Financing Transactions".

PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREAS

(In € million)	31 December 2018	2017
France	7,630	7,222
Germany	4,281	4,649
UK	2,141	2,193
Spain	1,500	1,613
Other countries	1,176	881
Total	**16,728**	**16,558**

(1) Property, plant and equipment by geographical areas excludes leased assets of €45 million (2017: €52 million).

Off-Balance Sheet Commitments

Commitments related to property, plant and equipment comprise contractual commitments for future capital expenditures and contractual commitments for purchases of "Land, leasehold improvements and buildings including buildings on land owned by others" (€256 million as of 31 December 2018, 2017: €257 million).

Future nominal operating lease payments (for the Company as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to €1,494 million as of 31 December 2018 (2017: €1,025 million), and relate mainly to procurement operations (*e.g.* facility leases).

Maturities as of 31 December 2018 and 2017 are as follows:

(In € million)	31 December 2018	2017
Not later than 1 year	261	202
Later than 1 year and not later than 5 years	696	516
Later than 5 years	537	307
Total	**1,494**	**1,025**

19. Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2018**	2017
Other investments	2,267	2,441
Other long-term financial assets	1,544	1,763
Total non-current other investments and other long-term financial assets	**3,811**	**4,204**
Current portion of other long-term financial assets	**489**	**529**
Total	**4,300**	**4,733**

Other investments mainly comprise the Company's participations. The significant participations at 31 December 2018 include the remaining investment in Dassault Aviation (9.89%, 2017: 9.93%) amounting to €999 million (2017 €1,071 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of €1,523 million as of 31 December 2018 (2017: €1,521 million), and the sales financing activities in the form of finance lease receivables and loans from aircraft financing.

20. Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities

Contract assets represent the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time (*e.g.* revenue recognised from the application of the PoC method before the Company has a right to invoice).

Contract liabilities represent the Company's obligation to transfer goods or services to a customer for which the Company has received consideration, or for which an amount of consideration is due from the customer (*e.g.* advance payments received).

Net contract assets and contract liabilities are determined for each contract separately. For serial contracts, contract liabilities are presented in current contract liabilities, if revenues are expected within the next twelve months or material expenses for the manufacturing process have already occurred. For long-term production contracts (*e.g.* governmental contracts such as A400M, Tiger, NH90), contract liabilities are classified as current when the relating inventories or receivables are expected to be recognised within the normal operating cycle of the long-term contract.

Trade receivables arise when the Company provides goods or services directly to a customer with no intention of trading the receivable. Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor as well as receivables relating to construction contracts. Trade receivables are initially recognised at their transaction prices and are subsequently measured at amortised cost less any allowances for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised, impaired or amortised.

Impairment and allowances of trade receivables and contract assets are measured at an amount equal to the life-time expected loss as described in "— Note 4: Change in Accounting Policies and Disclosures".

Contract Assets, Contract Liabilities and Trade Receivables

Significant changes in contract assets and contract liabilities during the period are as follows:

	2018	
(In € million)	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at 1 January	-	(23,464)
Increase due to cash received, excluding amounts recognised as revenue	-	23,472
Transfers from contract assets recognised at the beginning of the period	(2,740)	-
Increase as a result of changes in the measure of progress	3,074	-

As of 31 December 2018, trade receivables amounting to €583 million (2017: €964 million) will mature after more than one year.

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In the year of implementation, the Company does not disclose significant changes in the contract assets and the contract liabilities for the prior year. The high costs linked to its creation would have not justified the result in terms of additional useful information to be provided.

The respective movement in the allowance for doubtful accounts in respect of trade receivables and contract assets during the period was as follows:

(In € million)	**2018**	2017 [1]
Allowance balance at 1 January	**(252)**	**(245)**
Foreign currency translation adjustment	(5)	2
Utilisations / disposals and business combinations	28	37
Additions	(40)	(46)
Allowance balance at 31 December [2]	**(269)**	**(252)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Thereof, €2 million relates to contracts assets (2017: €3 million).

Trade Liabilities

Trade liabilities of €16,237 million (2017 (restated): €13,406 million) increased by €+2,831 million, mainly in Airbus.

As of 31 December 2018, trade liabilities amounting to €29 million (2017: €24 million) will mature after more than one year.

21. Inventories

	31 December 2018			31 December 2017 [1]		
(In € million)	Gross amount	Write-down	Net book value	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,827	(554)	3,273	3,231	(484)	2,747
Work in progress	23,119	(1,476)	21,643	22,176	(1,911)	20,265
Finished goods and parts for resale	3,949	(555)	3,394	3,487	(612)	2,875
Advance payments to suppliers	3,631	(50)	3,581	3,916	(66)	3,850
Total	**34,526**	**(2,635)**	**31,891**	**32,810**	**(3,073)**	**29,737**

(1) Previous year figures are restated due to the application of IFRS 15.

Inventories of €31,891 million (2017 (restated): €29,737 million) increased by €+2,154 million. This is driven by Airbus (€+2,128 million) reflecting an increase in work in progress associated with the A320 programme ramp-up, including the impact of late engine deliveries.

Write-downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenue. In 2018, write-downs of inventories in the amount of €-883 million (2017 (restated): €-1,108 million) are recognised in cost of sales, whereas reversal of write-downs amounts to €264 million (2017 (restated): €102 million). At 31 December 2018, €20,626 million of work in progress and €3,130 million of finished goods and parts for resale were carried at net realisable value.

Inventories recognised as an expense during the period amount to €44,437 million (2017 (restated): €39,828 million).

22. Provisions, Contingent Assets and Contingent Liabilities

Provisions — The determination of provisions, *e.g.* for onerous contracts, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, in the aerospace sector, the contractual and technical parameters considered for provision calculations are complex. Hence uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

The majority of other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

	31 December	
(In € million)	**2018**	2017
Provisions for pensions [2]	7,072	8,361
Other provisions [1]	11,816	7,690
Total [1]	**18,888**	**16,051**
thereof non-current portion [1]	*11,571*	*9,779*
thereof current portion [1]	*7,317*	*6,272*

(1) Previous year figures are restated due to the application of IFRS 15.
(2) See "— Note 29: Post-Employment Benefits".

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles.

Other provisions are presented net of programme losses against inventories (see "— Note 21: Inventories") and increased due to the inclusion of liabilities related to acquired customer contracts linked to the acquisition of CSALP (see "— Note 6: Acquisitions and Disposals") and due to the A380 net charge recorded in 2018 (see "— Note 10: Revenue and Gross Margin").

Movements in other provisions during the year were as follows:

(In € million)	Balance at 1 January 2018	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated group	Used	Released	**Balance at 31 December 2018**
Onerous contracts [1]	1,828	51	0	2,374	2,617	(1,328)	(53)	5,489
Outstanding costs [1]	1,606	1	0	468	(81)	(577)	(93)	1,324
Aircraft financing risks [1] [2]	1	0	0	2	8	0	(5)	6
Obligation from services and maintenance agreements	492	0	8	67	194	(82)	(28)	651
Warranties [1]	267	0	1	108	22	(57)	(14)	327
Personnel-related provisions [3]	1,019	0	3	427	37	(452)	(114)	920
Litigation and claims	288	0	0	116	244	(45)	(16)	587
Asset retirement	158	0	(6)	2	0	0	(1)	153
Other risks and charges [1]	2,031	(2)	0	1,492	(603)	(317)	(242)	2,359
Total [1]	**7,690**	**50**	**6**	**5,056**	**2,438**	**(2,858)**	**(566)**	**11,816**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) See "— Note 25: Sales Financing Transactions".
(3) See "— Note 28: Personnel-Related Provisions".

Provisions for onerous contracts in 2018 mainly include the provisions related to the A380 and A400M programmes (see "— Note 10: Revenue and Gross Margin" and "— Note 21: Inventories"). Reclassification / Change in consolidated group mainly relates to the liabilities associated to the CSALP acquisition (see "— Note 6: Acquisitions and Disposals").

The majority of the addition to **provisions for outstanding costs** relates to Airbus Helicopters (€ 307 million) as well as to Airbus Defence and Space (€ 110 million).

Provisions for litigations and claims include the arbitral award relating to the Republic of China (Taiwan). For more details, see "— Note 36: Litigation and Claims".

Personnel-related provisions include restructuring provisions and other personnel charges. For more details, see "— Note 28: Personnel-Related Provisions".

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities and have agreed a retrofit plan for the implementation of corrective measures. An estimate of the related net future costs has been prepared and is included in **other provisions.**

Contingent assets and contingent liabilities — The Company is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, the Company has subscribed a Global Aviation Insurance Programme ("GAP"). Information required under IAS 37 "Provisions, Contingent Assets and Contingent Liabilities" is not disclosed if the Company concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties.

For other contingent liabilities, see "— Note 36: Litigation and Claims" and "— Note 10: Revenue and Gross Margin" (mainly A400M programme).

Other commitments include contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures and amounts which may be payable to commercial intermediaries if future sales materialise.

23. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

	31 December	
(In € million)	**2018**	2017
Positive fair values of derivative financial instruments [(1)]	1,031	2,901
Others	77	79
Total non-current other financial assets	**1,108**	**2,980**
Receivables from related companies	1,082	992
Positive fair values of derivative financial instruments [(1)]	286	663
Others	443	324
Total current other financial assets	**1,811**	**1,979**
Total	**2,919**	**4,959**

(1) See "— Note 35: Information about Financial Instruments".

Other Financial Liabilities

	31 December	
(In € million)	**2018**	2017
Liabilities for derivative financial instruments [(2)]	1,132	1,127
European Governments' refundable advances	4,233	5,537
Others [(1) (2)]	2,644	40
Total non-current other financial liabilities [(1)]	**8,009**	**6,704**
Liabilities for derivative financial instruments [(2)]	1,623	1,144
European Governments' refundable advances [(3)]	344	364
Liabilities to related companies [(1)]	175	199
Others	320	343
Total current other financial liabilities [(1)]	**2,462**	**2,050**
Total [(1)]	**10,471**	**8,754**
thereof other financial liabilities due within 1 year [(1)]	*2,125*	*2,041*

(1) Previous year figures are restated due to the application of IFRS 15.
(2) See "— Note 35: Information about Financial Instruments".
(3) Refundable advances from European Governments are provided to the Company to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they are repaid to the European Governments subject to the success of the project.

The total net fair value of derivative financial instruments deteriorated by € -2,731 million to € -1,438 million (2017: € 1,293 million) as a result of the strengthening of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The European Governments' refundable advances decreased by € -1,324 million to € 4,577 million (2017: € 5,901 million), primarily related to the update on the A380 programme (see "— Note 10: Revenue and Gross Margin").

24. Other Assets and Other Liabilities

Other Assets

	31 December	
(In € million)	**2018**	2017
Cost to fulfil a contract [1]	777	868
Prepaid expenses [1]	33	15
Others [1]	78	92
Total non-current other assets [1]	**888**	**975**
Value added tax claims	3,255	1,892
Cost to fulfil a contract [1]	464	522
Prepaid expenses [1]	121	146
Others [1]	406	377
Total current other assets [1]	**4,246**	**2,937**
Total [1]	**5,134**	**3,912**

(1) Previous year figures are restated due to the application of IFRS 15.

Other Liabilities

	31 December	
(In € million)	**2018**	2017
Others [1]	460	298
Total non-current other liabilities [1]	**460**	**298**
Tax liabilities (excluding income tax)	2,706	1,397
Others	2,582	2,512
Total current other liabilities [1]	**5,288**	**3,909**
Total [1]	**5,748**	**4,207**
thereof other liabilities due within 1 year [1]	*5,288*	*3,909*

(1) Previous year figures are restated due to the application of IFRS 15.

25. Sales Financing Transactions

Sales financing — With a view to facilitating aircraft sales for Airbus and Airbus Helicopters, the Company may enter into either on-balance sheet or off-balance sheet sales financing transactions.

On-balance sheet transactions where the Company is lessor are classified as operating leases, finance leases and loans, inventories and to a minor extent, equity investments:

(i) Operating leases – Aircraft leased out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see "— Note 18: Property, Plant and Equipment"). Rental income from operating leases is recorded as revenue on a straight-line basis over the term of the lease.

(ii) Finance leases and loans – When, pursuant to a financing transaction, substantially all the risks and rewards of ownership of the financed aircraft reside with a third party, the transaction is characterised as either a finance lease or a loan. In such instances, revenue from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on-balance sheet) in long-term financial assets, net of any accumulated impairments.

(iii) Inventories – Second hand aircraft acquired as part of a commercial buyback transaction, returned to Airbus after a payment default or at the end of a lease agreement are classified as inventories held for resale if there is no subsequent lease agreement in force (see "— Note 21: Inventories").

Off-balance sheet commitments — Financing commitments are provided to the customer either as backstop commitments before delivery, asset value guarantees at delivery, operating head-lease commitments or counter guarantees:

(i) Backstop commitments are guarantees by Airbus, made when a customer-order is placed, to provide financing to the customer in the event that the customer fails to secure sufficient funding when payment becomes due under the order. Such commitments are not considered to be part of Gross Customer Financing Exposure as (i) the financing is not in place, (ii) commitments may be transferred in full or part to third parties prior to delivery, (iii) past experience suggests it is unlikely that all such proposed financings actually will be implemented and, (iv) Airbus retains the asset until the aircraft is delivered and does not incur an unusual risk in relation thereto. In order to mitigate customer credit risks for Airbus, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.

(ii) Asset value guarantees are guarantees whereby Airbus guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus considers the financial risks associated with such guarantees to be acceptable, because (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft, and (ii) the exercise dates of outstanding asset value guarantees are distributed through 2030.

As of 31 December 2018, the nominal value of asset value guarantees considered as variable considerations under IFRS 15 provided to beneficiaries amounts to €639 million (2017: €722 million), excluding €27 million (2017: €30 million) where the risk is considered to be remote. The present value of the risk inherent in asset value guarantees where a settlement is being considered probable is fully provided for and included in the total of contract liabilities for an amount of €511 million (2017 restated: €582 million) (see "— Note 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

(iii) Operating head-lease commitments – Airbus has entered into head-lease sub-lease transactions in which it acts as a lessee under an operating head-lease and lessor under the sub-lease. Airbus' customer financing exposure to operating head-lease commitments is determined as the present value of the future head-lease payments. There was no net exposure for such leases as of 31 December 2018 and 2017.

Exposure — In terms of risk management, the Company manages its gross exposure arising from its sales financing activities ("Gross Customer Financing Exposure") separately for (i) customer's credit risk and (ii) asset value risk.

Gross Customer Financing Exposure is the sum of (i) the book value of operating leases before impairment, (ii) the outstanding principal amount of finance leases or loans due before impairment, (iii) the guaranteed amounts under financial guarantees and the net present value of head-lease commitments, (iv) the book value of second hand aircraft for resale before impairment, and (v) the outstanding value of any other investment in sales financing structured entities before impairment. This Gross Customer Financing Exposure may differ from the value of related assets on the Company's Statement of Financial Position and related off-balance sheet contingent commitments, mainly because (i) assets are recorded in compliance with IFRS, but may relate to transactions that are financed on a limited recourse basis and (ii) the carrying amount of the assets on the Consolidated Statement of Financial Position may have been adjusted for impairment losses.

Gross Customer Financing Exposure amounts to US$ 1.0 billion (€0.9 billion) (2017: US$ 1.7 billion (€1.4 billion)).

Net exposure is the difference between Gross Customer Financing Exposure and the collateral value. Collateral value is assessed using a dynamic model based on the net present value of expected future receivables, expected proceeds from resale and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions and for repossession and transformation costs. The net exposure is provided for by way of impairment losses and other provisions.

Impairment losses and provisions — For the purpose of measuring an impairment loss, each transaction is tested individually. Impairment losses relating to aircraft under operating lease and second hand aircraft for resale (included in inventory) are recognised for any excess of the aircraft's carrying amount over the higher of the aircraft's value in use and its fair value less cost to sell. Finance leases and loans are measured at fair value, based on the present value of estimated future cash flows (including cash flows expected to be derived from a sale of the aircraft). Under its provisioning policy for sales financing risk, Airbus records provisions as liabilities for estimated risk relating to off-balance sheet commitments.

Security — Sales financing transactions, including those that are structured through structured entities, are generally collateralised by the underlying aircraft. Additionally, the Company benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

The Company endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of a structured entity. Apart from investor interest protection, interposing a structured entity offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell-downs of the aircraft financed. An aircraft financing structured entity is typically funded on a non-recourse basis by a senior lender and one or more providers of subordinated financing. When the Company acts as a lender to such structured entities, it may take the role of the senior lender or the provider of subordinated loan. The Company consolidates an aircraft financing structured entity if it is exposed to the structured entity's variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises only its loan to the structured entity under other long-term financial assets. At 31 December 2018 the carrying amount of its loans from aircraft financing amounts to € 502 million (2017: € 695 million). This amount also represents the Company's maximum exposure to loss from its interest in unconsolidated aircraft financing structured entities.

On-Balance Sheet Operating and Finance Leases

The **future minimum operating lease payments** (undiscounted) **due from customers** to be included in revenue, and the **future minimum lease payments** (undiscounted) **from investments in finance leases** to be received in settlement of the outstanding receivable at 31 December 2018 are as follows:

(In € million)	Aircraft under operating lease	Finance lease receivables [1]
Not later than 1 year	26	7
Later than 1 year and not later than 5 years	58	2
Later than 5 years	2	0
31 December 2018	**86**	**9**

(1) Includes € 1 million of unearned finance income.

Off-Balance Sheet Commitments

Operating head-lease commitments comprise operating lease payments due by Airbus as lessee under head-lease transactions. As of 31 December 2018 and 2017, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
(In € million)	**2018**	2017
Not later than 1 year	19	28
Later than 1 year and not later than 5 years	2	16
Later than 5 years	0	0
Total aircraft lease commitments [1]	**21**	**44**
thereof commitments where the transaction has been sold to third parties	*(21)*	*(44)*
Total aircraft lease commitments where the Company bears the risk (not discounted)	**0**	**0**

(1) Backed by sublease income from customers with an amount of €27 million in 2018 (2017: €40 million).

Financing Liabilities

Financing liabilities from sales financing transactions are mainly based on variable interest rates (see "— Note 34.3: Financing Liabilities") and entered into on a non-recourse basis (*i.e.* in a default event, the creditor would only have recourse to the aircraft collateral).

	31 December	
(In € million)	**2018**	2017
Loans	22	29
Liabilities to financial institutions	0	0
Total sales financing liabilities	**22**	**29**

Customer Financing Cash Flows

Direct customer financing cash flows amount to € 79 million in 2018 (2017: € -100 million).

Customer Financing Exposure

The on-balance sheet assets relating to sales financing, the off-balance sheet commitments and the related financing exposure (not including asset value guarantees) as of 31 December 2018 and 2017 are as follows:

	31 December 2018			31 December 2017		
(In € million)	Airbus	Airbus Helicopters	Total	Airbus	Airbus Helicopters	Total
Operating leases [1]	110	32	142	107	34	141
Finance leases and loans	637	67	704	839	97	936
Inventories	22	0	22	149	0	149
Other investments	6	0	6	25	0	25
On-balance sheet customer financing	**775**	**99**	**874**	**1,120**	**131**	**1,251**
Off-balance sheet customer financing	**28**	**10**	**38**	**144**	**4**	**148**
Gross Customer Financing Exposure	**803**	**109**	**912**	**1,264**	**135**	**1,399**
Collateral values	(562)	(35)	(597)	(953)	(64)	(1,017)
Net exposure	**241**	**74**	**315**	**311**	**71**	**382**
Operating leases	(74)	(23)	(97)	(68)	(21)	(89)
Finance leases and loans	(144)	(51)	(195)	(115)	(50)	(166)
On-balance sheet commitments - inventories	(17)	0	(17)	(119)	0	(119)
Off-balance sheet commitments - provisions [2]	(6)	0	(6)	(8)	0	(8)
Asset impairments, fair value adjustments and provisions	**(241)**	**(74)**	**(315)**	**(311)**	**(71)**	**(382)**

(1) For 2018 and 2017, depreciation amounts to € 10 million and € 11 million respectively and related accumulated depreciation is € 55 million and € 53 million respectively.
(2) See "— Note 22: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

26. Number of Employees

	Airbus	Airbus Helicopters	Airbus Defence and Space	Consolidated Airbus
31 December 2018	80,924	19,745	33,002	133,671
31 December 2017 [(1)]	77,163	20,108	32,171	129,442

(1) Previous year figures are restated due to the new segment structure.

27. Personnel Expenses

(In € million)	**2018**	2017
Wages, salaries and social contributions	12,566	12,629
Net periodic pension cost [(1)]	581	511
Total	**13,147**	**13,140**

(1) See "— Note 29.1: Provisions for Retirement Plans".

28. Personnel-Related Provisions

Several German companies provide life-time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life-time working accounts result in corresponding personnel expenses in that period, recognised in **other personnel charges**.

(In € million)	Balance at 1 January 2018	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated group	Used	Released	**Balance at 31 December 2018**
Restructuring measures / pre-retirement part-time work	346	0	0	83	14	(132)	(68)	243
Other personnel charges	673	0	3	344	23	(320)	(46)	677
Total	**1,019**	**0**	**3**	**427**	**37**	**(452)**	**(114)**	**920**

A restructuring provision associated with the re-organisation of the Company of € 160 million was recorded at year-end 2016, following the communication of the plan to the employees and the European Works Council in November 2016. The French social plan was agreed between the Company and the works council in June 2017. The German social plan was agreed between the Company and the works councils in September 2017, and the reconciliation of interests was finalised on 21 February 2018.

In Airbus Helicopters, the restructuring plan launched in 2016 was signed by the three representative trade unions and validated by the Work Administration Agency (DIRECCTE) in March 2017.

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29. Post-Employment Benefits

	31 December	
(In € million)	**2018**	2017
Provisions for retirement plans	6,474	7,127
Provisions for deferred compensation	598	1,234
Retirement plans and similar obligations	**7,072**	**8,361**

29.1 Provisions for Retirement Plans

When the Company employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which it operates.

France — The French pension system is operated on a "pay as you go" basis. Besides the basic pension from the French social security system, each employee is entitled to receive a complementary pension from defined contribution schemes *Association pour le régime de retraite complémentaire des salariés* ("ARRCO") and *Association générale des institutions de retraite des cadres* ("AGIRC"). Moreover, French law stipulates that employees are paid retirement indemnities in the form of lump sums on the basis of the length of service, which are considered as defined obligations.

Germany — The Company has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service. Certain employees that are not covered by this plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are dependent on the final salary of the respective individual at the date of retirement and the time period served as an executive.

In 2018, Airbus introduced the new Airbus Pensions Plan ("APP") with security-linked benefits in Germany, which all new entrants after 1 January 2018 will join. Accordingly, the existing pension plan has been closed for new entrants. As of 1 January 2019 deferred compensation which is financed by the employees is offered exclusively in APP for all employees.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund (*"Unterstützungskasse"*), the Company has implemented a Contractual Trust Arrangement. The Contractual Trust Arrangement structure is that of a bilateral trust arrangement. Assets that are transferred to the relief fund and the Contractual Trust Arrangement qualify as plan assets under IAS 19.

UK — The Company UK Pension Scheme ("the Scheme") was implemented by Airbus Defence and Space Ltd., Stevenage (UK) as the principal employer. This plan comprises all eligible employees of Airbus Defence and Space Ltd. as well as all personnel, who were recruited by one of the Company subsidiaries located in the UK and participating in the scheme.

The major part of the obligation is funded by scheme assets due to contributions of the participating companies. The Scheme is a registered pension scheme under the Finance Act 2004. The trustee's only formal funding objective is the statutory funding objective under the Pensions Act part 6 2004, which is to have sufficient and appropriate assets to cover the Scheme's obligations. Since 1 November 2013, this plan is generally closed for joiners, who participate in a separate defined contribution plan.

Moreover, the Company participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. The Company's most significant investments in terms of employees participating in these BAE Systems UK pension plans is Airbus Operations Ltd. Participating Airbus Operations Ltd. employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between the Company and BAE Systems and a change in the UK pensions legislation enacted in April 2006.

For the most significant of these BAE Systems Pension Schemes, the Main Scheme, BAE Systems, the Company and the scheme Trustees agreed on a sectionalisation, which was implemented on 1 April 2016. Although BAE Systems remains the only principal employer of the Scheme, the Company has obtained powers in relation to its section which are the same as if it were the principal employer.

Based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which the Company investments participate are currently underfunded. Airbus Operations Ltd. (for its section of the Main Scheme) and BAE Systems (for the other schemes) have agreed with the trustees various measures designed to make good the underfunding. These include (i) regular contribution payments for active employees well above such which would prevail for funded plans and (ii) extra employers' contributions.

In the event that an employer who participates in the BAE Systems pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations. The Company considers the likelihood of this event as remote. However, for the Main Scheme the Company considers that its obligation is in principle limited to that related to its section.

Risks

The Defined Benefit Obligation ("DBO") exposes the Company to actuarial risks, including the following ones:

Market price risk — The return on plan assets is assumed to be the discount rate derived from AA-rated corporate bonds. If the actual return rate of plan assets is lower than the applied discount rate, the net DBO increases accordingly. Moreover, the market values of the plan assets are subject to volatility, which also impacts the net liability.

Interest rate risk — The level of the DBO is significantly impacted by the applied discount rate. The low interest rates, particular in the euro-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds continues, the DBO will further increase in future periods, which can only be offset partially by the positive development of market values of those corporate bonds included in plan assets. Generally, the pension obligation is sensitive to movements in the interest rate leading to volatile results in the valuation.

Inflation risk — The pension liabilities can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increasing liability. Since some pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations. For the deferred compensation plan P3, which is financed by the employees a fixed interest rate has been agreed.

Longevity risk — The pension liabilities are sensitive to the life expectancy of its members. Rising life expectancies lead to an increase in the valuation of the pension liability.

The weighted average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December 2018 are as follows:

	Pension plans in								
	Germany		France		UK		Participation in BAE Systems Pension Scheme in the UK		Canada
(Rate in %)	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**
Discount rate	1.7	1.7	1.7	1.7	2.8	2.5	2.7	2.5	3.9
Rate of compensation increase	2.8	2.8	2.5	2.5	2.6	2.6	2.6	2.6	3.0
Rate of pension increase	1.6	1.5	1.7	1.7	3.0	3.0	2.9	2.9	2.0
Inflation rate	1.6	1.5	1.7	1.7	3.1	3.1	3.1	3.1	2.0

For Germany and France, the Company derives the discount rate used to determine the DBO from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx€ Corporates AA bond data and uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective pension plan is then extrapolated along the yield curve. In the UK, it is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. The salary increase rates are based on long-term expectations of the respective employers, derived from the assumed inflation rate and adjusted by promotional or productivity scales.

Rates for pension payment increases are derived from the respective inflation rate for the plan.

Inflation rate for German plans corresponds to the expected increase in cost of living. In the UK, the inflation assumptions are derived by reference to the difference between the yields on index-linked and fixed-interest long-term government bonds.

For the calculation of the German pension obligation, the newly introduced "2018 G" mortality tables (generation tables) as developed by Professor Dr. Klaus Heubeck are applied. For the UK schemes, the Self-Administered Pensions S2 mortality tables based on year of birth (as published by the Institute of Actuaries) is used in conjunction with the results of an investigation into the actual mortality experience of scheme members. In France, institute for French statistics ("INSEE") tables are applied.

The development of the DBO is set out below:

(In € million)	DBO			Plan assets			
	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Total provisions
Balance at 1 January 2017	**11,104**	**3,808**	**14,912**	**(4,531)**	**(2,632)**	**(7,163)**	**7,749**
Service cost	348	81	429	0	0	0	429
Interest cost and income	195	97	292	(92)	(67)	(159)	133
Past service cost	(51)	0	(51)	0	0	0	(51)
Remeasurements: Actuarial (gains) and losses arising							
from changes in demographic assumptions	308	(160)	148	0	0	0	148
from changes in financial assumptions	(51)	48	(3)	0	0	0	(3)
from changes in experience adjustments	(9)	(83)	(92)	0	0	0	(92)
from plan assets	0	0	0	(210)	(169)	(379)	(379)
Changes in consolidation, transfers and others	(136)	4	(132)	50	0	50	(82)
Benefits paid	(368)	(92)	(460)	137	92	229	(231)
Contributions by employer and other plan participants	0	0	0	(300)	(152)	(452)	(452)
Foreign currency translation adjustments	(41)	(132)	(173)	35	96	131	(42)
Balance at 31 December 2017	**11,299**	**3,571**	**14,870**	**(4,911)**	**(2,832)**	**(7,743)**	**7,127**
Service cost	381	84	464	0	0	0	464
Interest cost and income	202	85	287	(97)	(68)	(165)	123
Past service cost	0	0	0	0	0	0	0
Remeasurements: Actuarial (gains) and losses arising							
from changes in demographic assumptions	112	(24)	88	0	0	0	88
from changes in financial assumptions	(35)	(152)	(187)	0	0	0	(187)
from changes in experience adjustments	117	48	165	0	0	0	165
from plan assets	0	0	0	398	105	502	502
Changes in consolidation, transfers and others	247	0	247	(209)	0	(209)	38
Benefits paid	(380)	(115)	(495)	148	115	262	(233)
Contributions by employer and other plan participants	3	5	8	(1,281)	(335)	(1,616)	(1,608)
Foreign currency translation adjustments	(14)	(27)	(40)	11	25	36	(5)
Balance at 31 December 2018	**11,932**	**3,475**	**15,407**	**(5,941)**	**(2,990)**	**(8,933)**	**6,474**

The funding of the plans is as follows:

	31 December			
	2018		2017	
(In € million)	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	2,157	0	1,563	0
Funded pension plans (partial)	13,250	(8,933)	13,307	(7,743)
Total	**15,407**	**(8,933)**	**14,870**	**(7,743)**

In 2018, contributions in the amount of € 1,278 million (2017: € 300 million) are made into the pension plans of the Company, mainly relating to the Contractual Trust Arrangement of € 1,159 million (2017: € 187 million), the Company UK scheme for € 104 million (2017: € 77 million).

Contributions of approximately € 500 million are expected to be made in 2019.

The weighted average duration of the DBO for retirement plans and deferred compensation is 16 years at 31 December 2018 (31 December 2017: 17 years).

The split of the DBO for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows:

	Active	Deferred	Pensioner
Germany	49%	6%	45%
France	99%	0%	1%
UK	65%	14%	21%
Participation in BAE System Pension Scheme (Main Scheme)	58%	16%	26%
Canada	95%	1%	4%

The following table shows how the present value of the DBO of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2018:

	Change in actuarial assumptions	Impact on DBO	
		Change at 31 December	
		2018	2017
Present value of the obligation		17,037	16,232
Discount rate	Increase by 0.5%-point	(1,204)	(1,228)
	Decrease by 0.5%-point	1,338	1,359
Rate of compensation increase	Increase by 0.25%-point	136	111
	Decrease by 0.25%-point	(130)	(196)
Rate of pension increase	Increase by 0.25%-point	316	283
	Decrease by 0.25%-point	(302)	(356)
Life expectancy	Increase by 1 year	428	369

Sensitivities are calculated based on the same method (present value of the DBO calculated with the projected unit method) as applied when calculating the post-employment benefit obligations. The sensitivity analyses are based on a change of one assumption while holding all other assumptions constant. This is unlikely to occur in practice and changes of more than one assumption may be correlated leading to different impacts on the DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

The fair value of the plan assets for retirement plans and deferred compensation can be allocated to the following classes:

	2018			2017		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	1,061	0	1,061	1,157	3	1,160
Rest of the world	361	0	361	511	48	559
Emerging markets	359	0	359	281	0	281
Global	1,355	0	1,355	1,188	0	1,188
Bonds						
Corporates	1,570	71	1,642	1,250	591	1,841
Governments	1,451	0	1,451	1,310	74	1,384
Pooled investments vehicles	491	0	491	16	280	296
Commodities	0	98	98	115	0	115
Hedge funds	0	269	269	332	196	528
Derivatives	0	207	207	0	(54)	(54)
Property	0	494	494	92	284	376
Cash and money market funds	1,103	96	1,199	43	0	43
Others	0	976	976	216	(40)	176
Balance at 31 December	**7,751**	**2,211**	**9,962**	**6,511**	**1,382**	**7,893**

The majority of funded plans apply broadly an asset-liability matching framework. The strategic asset allocation of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2018 consists of fixed income instruments, equities, although the Company also invests in property, commodities and hedge funds. The Company reassesses the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the strategic asset allocation.

The amount recorded as provision for retirement plans can be allocated to the significant countries as follows:

	Pension plans of the Company					
(In € million)	Germany	France	UK	Canada	Participation in BAE Systems Pension Scheme in the UK	Total
DBO	8,660	1,756	1,205	311	3,475	15,407
Plan assets	4,646	23	1,083	189	2,992	8,933
Recognised at 31 December 2018	**4,014**	**1,733**	**122**	**122**	**483**	**6,474**
DBO	8,464	1,640	1,195	0	3,571	14,870
Plan assets	3,861	17	1,033	0	2,832	7,743
Recognised at 31 December 2017	**4,603**	**1,623**	**162**	**0**	**739**	**7,127**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2018 amounted to €991 million (2017: €677 million).

29.2 Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development for the DBO and plan assets is as follows:

	2018			2017		
(In € million)	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at 1 January	**1,362**	**(150)**	**1,212**	**1,018**	**(128)**	**890**
Service cost	118	0	118	135	0	135
Interest cost	23	0	23	17	0	17
Interest income	0	(6)	(6)	0	(3)	(3)
Remeasurement: Actuarial (gains) and losses arising						
from changes in demographic assumptions	(2)	0	(2)	174	0	174
from changes in financial assumptions	8	0	8	5	0	5
from changes in experience adjustments	33	0	33	34	0	34
from plan assets	0	44	44	0	(3)	(3)
Changes in consolidation, transfers and others	(20)	1	(19)	(13)	(1)	(14)
Benefits paid	(11)	0	(11)	(8)	0	(8)
Contributions	119	(921)	(802)	0	(15)	(15)
Balance at 31 December	**1,630**	**(1,032)**	**598**	**1,362**	**(150)**	**1,212**

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	31 December	
(In € million)	**2018**	2017
Provisions	598	1,234
Non-current and current other assets	0	22
Total	**598**	**1,212**

In 2018, new trust arrangements have been established between the trust and the participating companies and stipulate a minimum funding requirement for the portion of the obligation, which is not protected by the pension guarantee association or *Pensions-Sicherungs Verein* in case of an insolvency of Airbus companies concerned. Some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115%.

30. Share-Based Payment

Share-based compensation — Until 2015, the Company operated a ***Performance and Restricted Unit Plan*** or ***LTIP*** which qualifies as a ***cash-settled share-based payment plan*** under IFRS 2. The grant of so-called "units" will not physically be settled in shares (except with regard to the Company Executive Committee Members). For details of the conversion of some Performance Units granted to Executive Committee Members into equity-settled plans see "— Note 31.1: Remuneration - Executive Committee".

Since 2016, the Company operates a ***Performance Units and Performance Share Plan***, which is granted in units as well as in shares.

For plans settled in cash, provisions for associated services received are measured at fair value by multiplying the number of units expected to vest with the fair value of one LTIP unit at the end of each reporting period, taking into account the extent to which the employees have rendered service to date. The fair value of each LTIP unit is determined using a forward pricing model. Changes of the fair value are recognised as personnel expenses of the period, leading to a remeasurement of the provision.

Since 2018, the Company operates also exceptional grants of Performance Units and Performance Shares under an Equity Pool. Such exceptional grants are validated by specific resolutions from the Board of Directors. Objective of these grants is to mirror the Performance Units and Performance Share Plan in term of vesting conditions and vesting dates. Accounting principles and methodology are the ones applied for LTIP as described above.

Besides the equity-settled parts from LTIP 2016 onwards, the **Employee Share Ownership Plan ("ESOP")** is an additional equity-settled share-based payment plan. Under this plan, the Company offers its employees Airbus SE shares at fair value matched with a number of free shares based on a determining ratio. The fair value of shares provided is reflected as personnel expenses in the Company's Consolidated Income Statement with a corresponding increase in equity.

30.1 LTIP

In the years 2013 to 2015, the Board of Directors of the Company approved the granting of LTIP Performance and Restricted Units. Since 2016, it has approved a LTIP Performance Units and Performance Share Plan.

The Company hedges the share price risk inherent in the cash-settled LTIP units by entering into equity swaps where the reference price is based on the Airbus SE share price. To the extent that cash-settled LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps. In order to avoid any dilution of its current shareholders out of equity-settled LTIP units, the Company performs share buybacks to meet its obligations to its employees, following the decisions of the Board of Directors and approval of the AGM.

In 2018, compensation expense for LTIPs including the effect of the equity swaps amounted to €69 million (2017: €88 million).

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2018):

Expected vesting date *(In € per unit / share granted)*	Fair value of Performance Units and Shares
May 2022 - Performance Shares	85.01
May 2022 - Performance Units	84.09
May 2023 - Performance Units	83.28

As of 31 December 2018, provisions of €140 million (2017: €183 million) relating to LTIP have been recognised.

The life-time of the Performance and Restricted Units as well as Performance Shares is contractually fixed (see the description of the respective tranche in the following table). For the units, the measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€83.96 as of 31 December 2018) and the life-time of the units.

The principal characteristics of the LTIPs as at 31 December 2018 are summarised below:

	LTIP 2013 (5)		LTIP 2014 (6)		LTIP 2015 (7)		LTIP 2016		LTIP 2017		LTIP 2018	
Grant date (1)	17 December 2013		13 November 2014		29 October 2015		25 October 2016		30 October 2017		30 October 2018	
	Performance and Restricted Unit Plan						Performance Plan					
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares	Units	Shares
Number of units granted (2)	1,245,052	359,060	1,114,962	291,420	926,398	240,972	615,792	621,198	421,638	425,702	278,376	281,181
Number of units outstanding (3)	0	0	424,260	134,198	656,406	231,396	592,391	594,561	411,841	415,905	278,376	281,181
Total number of eligible beneficiaries	1,709		1,621		1,564		1,671		1,601		1,626	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by a company of the Company at the respective vesting dates. Performance Units and Shares will vest upon achievement of mid-term business performance. Vesting schedule is made up of two payments (four payments until LTIP 2013) over two years.											
Share price per unit limited at vesting dates to (4)	€92.34		€94.90		€112.62		€105.34	-	€147.62	-	€213.88	-
Vesting dates	25% each: in May 2017 in November 2017 in May 2018 in November 2018		50% in June 2018 50% expected in June 2019		50% each expected: in June 2019 in July 2020		50% each expected: in May 2020 in May 2021	100% expected in May 2020	50% each expected: in May 2021 in May 2022	100% expected in May 2021	50% each expected: in May 2022 in May 2023	100% expected in May 2022
Number of vested units	855,686	333,415	399,540	138,527	2,606	0	0	0	0	0	0	0

(1) Date, when the vesting conditions were determined.
(2) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of the Company) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(3) Including shares granted through the Equity Pool, if applicable.
(4) Corresponds to 200% of the respective reference share price. Overall, the pay-out for Performance Units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of €46.17 (for LTIP 2013), €47.45 (for LTIP 2014), €56.31 (for LTIP 2015), €52.67 (for LTIP 2016), €73.81 (for LTIP 2017) and €106.94 (for LTIP 2018).
(5) Based on performance achievement of 75% for Performance Units under LTIP 2013.
(6) Based on performance achievement of 80% for Performance Units under LTIP 2014.
(7) Based on performance achievement of 75% for Performance Units under LTIP 2015.

30.2 ESOP

In 2018 and 2017, the Board of Directors approved a new ESOP scheme. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (2018: 5, 15, 30, 50 or 100 shares; 2017: 5, 20, 30, 50 or 100 shares). The Company matched each fixed number of shares with a number of the Airbus SE free shares based on a determined ratio (2018: 4, 7, 10, 13 and 25 free shares, respectively; 2017: 4, 8, 10, 13 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Airbus SE shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 14 February 2018 (2017: 21 February 2017) and amounted to €84.17 (2017: €67.24). Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 14 February 2018 (2017: 21 February 2017), resulting in a price of €88.65 (2017: €64.44). Airbus SE issued and sold 446,059 ordinary shares (2017: 411,710) with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €38 million (2017: €28 million) was recognised in connection with ESOP.

31. Remuneration

31.1 Remuneration – Executive Committee

The Company's key management personnel consists of Members of the Executive Committee and Non-Executive Board Members. The Chief Executive Officer ("CEO"), who chairs the Executive Committee, is the sole Executive Board Member. The annual remuneration and related compensation costs of the key management personnel as expensed in the respective year can be summarised as follows:

(In € million)	**2018**	2017
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	18.7	25.4
Post-employment benefit costs	4.7	6.9
Share-based remuneration ("LTIP award", including associated hedge result)	5.3	8.8
Termination benefits	8.6	10.9
Other benefits	0.5	0.6
Social charges	8.7	7.1
Non-Executive Board Members		
Short-term benefits (including social charges)	2.0	2.1
Total expense recognised	**48.5**	**61.8**

For additional information regarding the remuneration of Executive Committee Members (including the CEO), please also refer to the "Report of the Board of Directors –4.4: Remuneration Report".

Salaries and Other Short-Term Benefits (Including Bonuses)

The amount of bonuses is based on estimated performance achievement as at the balance sheet date and difference between previous year estimation and actual pay-out in the current year. Outstanding short-term benefits (bonuses) at year-end 2018 for Executive Committee Members based on estimated performance achievement at year-end was €9.3 million (2017: €12.5 million).

Post-Employment and Other Long-Term Benefits

The post-employment and other long-term benefits of the Executive Committee, including the CEO, amounted to €61.6 million at 31 December 2018 (2017: €78.6 million). The disclosed post-employment and other long-term benefits reflect the total outstanding balance for all Executive Committee Members in charge at the end of the respective balance sheet date.

Share-Based Remuneration ("LTIP Award")

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Company's LTIP which are remeasured to fair value as far as they are cash-settled.

In 2018, the Members of the Executive Committee were granted 18,554 Performance Units (2017: 53,108) and 21,359 Performance Shares (2017: 57,172) for LTIP 2018, the respective fair value of these Performance Units and Shares at the respective grant dates was €3.8 million (2017: €8.8 million). Fair value of outstanding LTIP balances at the end of 2018 for all Executive Committee Members was €9.4 million (2017: €17.4 million). The total number of outstanding Performance and Restricted Units amounted to 189,260 at 31 December 2018 (2017: 384,867), granted to the current Members of the Executive Committee.

Until and including the plan 2015, based on the intention of the Board of Directors to increase the long-term commitment of Executive Committee Members to the success of the Company, the Board has authorised the Executive Committee Members to opt for partial conversion of the otherwise cash-settled LTIPs into share-settled plans at each grant date of any new LTIP, requiring a minimum conversion rate into equity settlement of 25% of total granted Performance Units. At the conversion date, each Executive Committee Member individually determined the split of equity and cash settlement for the formerly granted LTIP. After overall performance assessment of each of the plans, the vesting dates as determined at the initial grant date apply to all cash-settled Performance Units. However, units converted into equity settlement only vest at the last of the vesting dates of the respective plan.

Performance Units granted to Executive Committee Members until 31 December 2015 are summarised below:

	LTIP 2013	LTIP 2014	LTIP 2015
Total number of units granted	152,250	159,448	189,476
Number of cash-settled units	103,725	117,816	143,217
Number of equity-settled units	48,525	41,632	46,259
Date of conversion	28 February 2014	28 February 2015	28 February 2016
Share price at date of conversion	€53.39	€55.33	€59.78

Termination Benefits

In the case of contract termination, the Executive Committee Members are entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target Annual Variable Remuneration) with respect to applicable local legal requirements, if any. This will not apply if the Executive Committee mandate is terminated for cause, in case of dismissal, if the Executive Committee Member resigns or has reached retirement age.

The Executive Committee Members' contract includes a non-compete clause which applies for a minimum of one year and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to waive or invoke the extension of the non-compete clause when legally or contractually possible. The compensation for each year that the non-compete clause applies is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements, if any.

Past LTIP awards may be maintained in full or prorated, in such cases as in case of retirement or if a mandate is not renewed by the Company without cause, prorata being based on the presence in the Company during performance periods. The vesting of past LTIP awards follows the plans' rules and regulations and is not accelerated in any case. LTIP awards are forfeited for Executives who leave the Company on their own initiative, but this is subject to review by the Board of Directors.

The termination benefits include assumptions about all effective, known or planned terminations to date.

Other Benefits

Other benefits include expenses for Executive Committee Members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2018 or 2017, respectively.

31.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2018 and 2017, can be summarised as follows:

(In €)	**2018**	2017
Base salary	1,500,000	1,500,000
Annual variable pay	2,167,500	1,912,500
Post-employment benefit costs	1,136,706	1,175,057
Share-based remuneration ("LTIP award") (1)	1,203,767	1,551,666
Termination benefits	302,256	2,900,000
Other benefits	61,144	63,250
Social charges	12,205	12,012

(1) Expense related to share-based payment plans as recognised in the annual period (service period) including the result from the hedge of cash-settled share-based payment (see "— Note 30: Share-Based Payment"). The pay-out from vested cash-settled LTIP in 2018 was €1,364,541 (2017: €1,372,048).

Annual Variable Pay

The annual variable pay is based on estimated performance achievement as at the balance sheet date and difference between the previous year's estimation and actual pay-out in the current year.

Post-Employment Benefit Costs

Post-employment benefit costs relate to the aggregated amount of current service and interest costs as well as interest costs on employee's contribution to the defined benefit plan.

For the CEO, the pension DBO including deferred compensation amounted to €26,303,930 as of 31 December 2018 (2017: €21,176,042). The change in valuation is due to changes in actuarial assumptions (*e.g.* mortality table, expected pension increase, retirement age). There has been no change in the pension promise for the CEO in 2018.

For the fiscal year 2018, the current service and interest costs related to the CEO's pension promise represented an expense of €1,136,706 (2017: €1,175,057). This amount has been accrued in the Consolidated Financial Statements.

Share-Based Remuneration

In 2018, due to the announcement of his departure, the CEO has not been granted with Performance Units nor Performance Shares.

The table below gives an overview of the interests of the CEO, under the various LTIPs of the Company:

Granted Date	LTIP 2013	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017
Performance Units and Shares	30,300	29,500	24,862	28,480	20,324
Revaluation	75%	80%	75%	100%	100%
Performance Units and Shares revalued	22,724	23,600	18,648	28,480	20,324
Vested in 2018					
in cash	11,364	8,850	0	0	0
in shares	11,360	0	0	0	0
Outstanding 2018					
in cash	0	8,850	13,986	14,240	10,162
in shares	0	5,900	4,662	14,240	10,162
Vesting schedule					
Cash-settled units	For vesting dates, see "— Note 30.1: LTIP"				
Equity-settled units	November 2018	June 2019	July 2020	May 2020	May 2021

Vesting of all Performance Units and Performance Shares granted to the CEO is subject to performance conditions.

The fair value of outstanding LTIP balances at the end of 2018 for the CEO was €2,257,848 (2017: €2,732,125).

Termination Benefits

Termination benefits include non-compete indemnity estimated according to art. 74 *et seq.* of the German Commercial Code ("BGB") based on 2018 data.

For more details, see "— Note 31.1: Remuneration - Executive Committee", section "Termination Benefits".

Other Benefits

The CEO is entitled to accident insurance coverage and a company car. In 2018, the total amount expensed was €61,144 (2017: €63,250). The Company has not provided any loans to / advances to / guarantees on behalf of the CEO.

31.3 Remuneration – Board of Directors

The remuneration of the Non-Executive Members of the Board of Directors was as follows:

	2018			2017		
(In €)	Fixum (1)	Attendance fees (2)	Total	Fixum (1)	Attendance fees (2)	Total
Non-Executive Board Members						
Denis Ranque	210,000	75,000	285,000	204,293	80,000	284,293
Victor Chu (5)	72,376	50,000	122,376	0	0	0
Jean-Pierre Clamadieu (6)	72,376	50,000	122,376	0	0	0
Ralph D. Crosby Jr.	100,000	75,000	175,000	94,420	80,000	174,420
Lord Drayson (3)	114,475	55,000	169,475	72,100	60,000	132,100
Catherine Guillouard	120,000	75,000	195,000	120,000	70,000	190,000
Hermann-Josef Lamberti	130,000	65,000	195,000	135,707	70,000	205,707
María Amparo Moraleda Martínez	127,238	65,000	192,238	120,000	80,000	200,000
Claudia Nemat	100,000	75,000	175,000	100,000	70,000	170,000
René Obermann (5)	72,376	55,000	127,376	0	0	0
Carlos Tavares	80,000	50,000	130,000	80,000	65,000	145,000
Former Non-Executive Board Members						
Hans-Peter Keitel (4)	27,900	10,000	37,900	100,000	60,000	160,000
Lakshmi N. Mittal	0	0	0	28,176	10,000	38,176
Sir John Parker (4)	36,270	10,000	46,270	135,707	65,000	200,707
Jean-Claude Trichet (4)	27,900	10,000	37,900	100,000	80,000	180,000
Total	**1,290,910**	**720,000**	**2,010,910**	**1,290,403**	**790,000**	**2,080,403**

(1) The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the Remuneration, Nomination and Governance Committee ("RNGC") and/or the Ethics & Compliance Commitee ("E&C"). The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017.
(2) The attendance fees related to the first semester 2018 were paid in July 2018, those related to the second semester 2018 were paid in January 2019. The attendance fees related to the first semester 2017 were paid in July 2017, those related to the second semester 2017 were paid in January 2018.
(3) Member of the E&C Committee as of 11 April 2018.
(4) Not a Member of the Company Board of Directors as of 11 April 2018.
(5) Member of the Company Board of Directors and the AC as of 11 April 2018.
(6) Member of the Company Board of Directors and the RNGC as of 11 April 2018.

2.7 Capital Structure and Financial Instruments

32. Total Equity

32.1 Equity Attributable to Equity Owners of the Parent

The Company's shares are exclusively ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares issued and fully paid:

(In number of shares)	**2018**	2017
Issued at 1 January	774,556,062	772,912,869
Issued for ESOP	1,811,819	1,643,193
Issued at 31 December	**776,367,881**	**774,556,062**
Treasury shares	(636,924)	(129,525)
Outstanding at 31 December	**775,730,957**	**774,426,537**

Holders of ordinary shares are entitled to dividends and to one vote per share at general meetings of the Company.

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 9,724 million (2017 (restated): € 10,740 million) representing a decrease of € -1,016 million. This is due to a decrease in other comprehensive income of € -2,982 million, principally related to the mark to market revaluation of the hedge portfolio of € -2,249 million, a change in actuarial gains and losses income of € -569 million and a dividend payment of € -1,161 million (€ 1.50 per share), partly compensated by a net income for the period of € 3,054 million.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of € 1,811,819 (2017: € 1,643,193) in compliance with the implemented ESOPs.

Share premium mainly results from contributions in kind in the course of the creation of the Company, cash contributions from the Company's initial public offering, capital increases and reductions due to the issuance and cancellation of shares.

Retained earnings include mainly the profit for the period and the changes in other comprehensive income from remeasurements of the defined benefit pension plans net of tax which amounts to € -569 million in 2018 (2017: € 151 million), and cash dividend payments to Airbus SE shareholders.

On 11 April 2018, the Shareholders' General Meeting decided to distribute a gross amount of € 1.50 per share, which was paid on 18 April 2018. For the fiscal year 2018, the Company's Board of Directors proposes a cash distribution payment of € 1.65 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2018, the number of treasury stock held by the Company increased to 636,924 compared to 129,525 as of 31 December 2017. No shares were sold back to the market nor cancelled (2017: 0 shares).

On 11 April 2018, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2019, to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of:

- ESOPs and share-related LTIPs, provided that such powers shall be limited to an aggregate of 0.14% of the Company's authorised share capital (see "— Note 30: Share-Based Payment");
- funding the Company and its subsidiaries, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "— Note 34.3: Financing Liabilities").

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 11 April 2018, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, to establish the exact number of the relevant shares to be cancelled.

32.2 Non-Controlling Interests

Non-controlling interests ("NCI") from non-wholly owned subsidiaries decreased to € -5 million as of 31 December 2018 (2017 (restated): € 2 million). These NCI do not have a material interest in the Company's activities and cash flows.

Subsidiaries with NCI that are material to their stand-alone financial information are:

	Alestis Areospace S.L.		PFW Areospace GmbH	
Principal place of business	La Rinconada (Spain)		Speyer (Germany)	
	2018	2017	**2018**	2017
Ownership interest held by NCI	38.09%	38.09%	25.10%	25.10%
NCI *(in € million)*	(20)	(18)	(7)	(8)
Profit (loss) allocated to NCI *(in € million)*	4	(2)	2	4

33. Capital Management

The Company seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders', credit investors' and other stakeholders' confidence in the Company. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of the Company's objectives to maintain a strong credit rating by institutional rating agencies. This enables the Company to contain its cost of capital which positively impacts its stakeholder value (entity value). Next to other non-financial parameters, the credit rating is based on factors such as cash flow ratios, profitability and liquidity ratios. The Company monitors these ratios to keep them in a range compatible with a strong rating.

Rating Agency	Long-term rating	Outlook	Short-term rating
Standard and Poor's	A+	Stable	A-1+
Moody's Investors Services	A2	Stable	P-1
Fitch Rating (unsolicited)	A-	Stable	F-2

The Company's stand-alone ratings reflect the strong backlog providing revenue visibility and the Company's leading market position, the Company's strong liquidity and improving credit metrics as well as management's focus on programmes execution, profitability and cash generation improvement. The rating is constrained by the Company's exposure to structural currency risk.

In accordance with the Company's conservative financial policy, a strong rating is key to maintain a wide array of funding sources at attractive conditions, to have broad access to long-term hedging and to strengthen the Company's position as a solid counterparty for its customers and suppliers.

Among other indicators, the Company uses a Value Based Management approach in order to guide the Company towards sustainable value creation by generating financial returns above the cost of capital.

The key elements of the Value Based Management concept are:

- the definition of financial returns;
- the definition of the Company's capital base; and
- the measurement of value creation derived from the two above.

The Company uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Company, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for the Company is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus Operating Cash less Other Provisions.

Financial value is created if profits relative to the Company's Capital Employed exceed the Company's cost of capital. Value can be measured by comparing RoCE to the WACC. A three year plan for a value creation ambition is constructed annually, and is composed of (i) RoCE, (ii) EBIT, and (iii) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities, Contribution to plan assets for pensions, realised Treasury swaps and bank activities.

The Company also monitors the level of dividends paid to its shareholders.

The Company generally satisfies its obligations arising from ESOPs by issuing new shares. In order to avoid any dilution of its current shareholders out of LTIPs, the Company performs share buybacks to meet its obligations to its employees, following the decisions of the Board of Directors and approval of the AGM. Apart from this purpose, the Company generally does not trade with treasury shares.

The Company complies with the capital requirements under applicable law and its Articles of Association.

34. Net Cash

The net cash position provides financial flexibility to fund the Company's operations, to react to business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2018**	2017
Cash and cash equivalents	9,413	12,016
Current securities	2,132	1,627
Non-current securities	10,662	10,944
Gross cash position	**22,207**	**24,587**
Short-term financing liabilities	(1,463)	(2,212)
Long-term financing liabilities	(7,463)	(8,984)
Total	**13,281**	**13,391**

The **net cash** position on 31 December 2018 amounted to € 13,281 million (2017: € 13,391 million), with a gross cash position of € 22,207 million (2017: € 24,587 million).

Derivative instruments recognised on the Company's Statement of Financial Position consist of (i) instruments that are entered into as hedges of the Company's operating activities or interest result, and (ii) embedded foreign currency derivatives that arise from separating the foreign currency component from certain operating contracts. Cash flows resulting from the settlement of these derivatives are therefore recorded as part of cash flow from operations. Similarly, financial assets and liabilities arising from customer financing activities and refundable advances from European Governments are considered part of operating activities and related cash flows are hence recognised as cash flows from operating activities.

34.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2018**	2017
Bank account and petty cash	1,862	3,672
Short-term securities (at fair value through profit and loss)	6,576	6,256
Short-term securities (at fair value through OCI) [(1)]	984	2,085
Others	6	8
Total cash and cash equivalents	**9,428**	**12,021**
Recognised in disposal groups classified as held for sale	15	5
Recognised in cash and cash equivalents	**9,413**	**12,016**

(1) IFRS 9 new classification category (prior year-end: available-for-sale).

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, are recognised in cash equivalents.

34.2 Securities

The majority of the Company's securities consists of debt securities and are classified at fair value through OCI (2017: available-for-sale financial assets) (see "— Note 35.2: Carrying Amounts and Fair Values of Financial Instruments").

The Company's securities portfolio amounts to € 12,794 million and € 12,571 million as of 31 December 2018 and 2017, respectively. The security portfolio contains a **non-current portion** classified at fair value through OCI of € 10,662 million (2017: € 10,944 million available-for-sale securities), and a **current portion** of € 2,132 million (2017: € 1,627 million).

Included in the securities portfolio as of 31 December 2018 and 2017, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,152 million nominal value; 2017: € 12,023 million) or floating rate coupons (€ 504 million nominal value; 2017: € 376 million), foreign currency funds of hedge funds (€ 0 million nominal value; 2017: € 5 million) and foreign currency funds of fixed income funds (€ 10 million fair value; 2017: € 11 million).

When the Company enters into securities lending or other financing activities that involve the pledging of securities as collateral, the securities pledged continue to be recognised on the balance sheet. As of 31 December 2018, securities for an amount of € 63 million were pledged as collateral for borrowings from banks (2017: € 67 million).

34.3 Financing Liabilities

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, deposits made by customers of Airbus Bank, borrowings received from joint ventures and other parties as well as finance lease liabilities. Financing liabilities are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities are measured at amortised cost, using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in total finance income (cost) over the period of the financing liability.

Financing liabilities to financial institutions may include liabilities from securities lending transactions. In securities lending transactions, the Company receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The counterparty typically has the right to sell or repledge the securities pledged. The amount of cash received is recognised as a financing liability. The securities pledged are not derecognised, but remain on the Company's Statement of Financial Position.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds and commercial papers	0	2,386	4,273	6,659
Liabilities to financial institutions	86	150	117	353
Loans	70	203	26	299
Finance lease liabilities	23	146	161	330
Others [(1)]	1,284	1	0	1,285
31 December 2018	**1,463**	**2,886**	**4,577**	**8,926**
Bonds and commercial papers	512	1,524	5,027	7,063
Liabilities to financial institutions	290	1,397	325	2,012
Loans	144	200	185	529
Finance lease liabilities	17	139	186	342
Others [(1)]	1,249	1	0	1,250
31 December 2017	**2,212**	**3,261**	**5,723**	**11,196**

(1) Included in "others" are financing liabilities to joint ventures.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by €-1,521 million to €7,463 million (2017: €8,984 million), as a result of early settlement of liabilities to financial institutions with the European Investment Bank ("EIB").

Short-term financing liabilities decreased by €-749 million to €1,463 million (2017: €2,212 million). The decrease in short-term financing liabilities is mainly related to the settlement of a Euro Medium Term Note ("EMTN") bond in September 2018.

The Company has issued several euro-denominated **bonds** under its EMTN programme and three stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. It has also issued a euro-denominated convertible bond and euro-denominated exchangeable bonds into Dassault Aviation shares. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the Development Bank of Japan ("DBJ").

The Company can issue **commercial paper** under the so-called *"billet de trésorerie"* programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion. As of 31 December 2018, there were no outstanding amounts under this programme. The Company established in April 2015 a US$2 billion commercial paper programme which has been increased to US$3 billion in April 2016. The commercial paper issuance activity was limited in the course of the year 2018.

Financing liabilities include outstanding debt of €25 million (2017: €46 million) relating to a **loan** Airbus received from Air 2 US in 1999 by way of a reinvestment note amounting to US$800 million, bearing a fixed interest rate of 9.88%, and other liabilities related to sales financing (see "— Note 25: Sales Financing Transactions").

The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount *(In million)*	Carrying amount *(In € million)* 31 December 2018	2017	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€500	0	512	Sep 2003	5.50%	5.58%	Sep 2018	Interest rate swapped into 3M Euribor +1.72%
US$ Bond 10 years	US$1,000	848	818	Apr 2013	2.70%	2.73%	Apr 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€1,000	1,038	1,031	Apr 2014	2.375%	2.394%	Apr 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€500	523	517	Oct 2014	2.125%	2.194%	Oct 2029	Interest rate swapped into 3M Euribor +0.84%
Convertible bond 7 years	€500	477	470	Jul 2015	0.00%	1.386%	Jul 2022	Convertible into Airbus SE shares at €99.54 per share issued at 102%
EMTN 10 years	€600	594	584	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€900	865	851	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Exchangeable bonds 5 years	€1,078	1,061	1,054	Jun 2016	0.00%	0.333%	Jun 2021	Exchangeable into Dassault Aviation shares issued at 103.75%
US$ Bond 10 years	US$750	632	615	Apr 2017	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US$ Bond 30 years	US$750	621	611	Apr 2017	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Bonds		**6,659**	**7,063**					
DBJ 10 years	US$300	87	250	Jan 2011	3M US-Libor +1.15%		Jan 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$721	0	343	Aug 2011	3M US-Libor +0.85%		Aug 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406	0	339	Feb 2013	3M US-Libor +0.93%		Feb 2020	
EIB 10 years	US$627	0	516	Dec 2014	2.52%	2.52%	Dec 2024	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$320	0	267	Dec 2015	6M US-Libor +0.559%		Dec 2025	
Others		266	297					
Liabilities to financial institutions		**353**	**2,012**					

Reconciliation of liabilities arising from financing liabilities:

(In € million)	Balance at 1 January 2018	Cash flows	Non-cash movements Changes in scope	Foreign exchange movements	Others (1)	Balance at 31 December 2018
Bonds and commercial papers	7,063	(468)	0	64	0	6,659
Liabilities to financial institutions	2,012	(1,664)	0	5	0	353
Loans	529	(225)	146	(149)	(2)	299
Finance lease liabilities	342	(7)	0	(5)	0	330
Others	1,250	56	2	(23)	0	1,285
Total	**11,196**	**(2,308)**	**148**	**(108)**	**(2)**	**8,926**

(1) Included in "other assets and liabilities and others" in the Statements of Cash Flows.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter as of 31 December 2018 and 2017 are as follows:

(In € million)	31 December 2018	2017
1 year	1,463	2,212
2 years	211	249
3 years	1,212	621
4 years	537	1,719
5 years	926	672
Thereafter	4,577	5,723
Total	**8,926**	**11,196**

35. Information about Financial Instruments

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35.1 Financial Risk Management

By the nature of its activities, the Company is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange risk, but also interest rate risk, equity price risk and commodity price risk, (ii) liquidity risk and (iii) credit risk. The Company's overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on the Company's operational and financial performance.

The financial risk management of the Company is generally carried out by the Treasury department of the Company under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the joint responsibility of several established specific committees such as the Foreign Exchange Committee and the Asset Liability Management Committee, including the Company business segments.

The Company uses financial derivatives solely for risk mitigating purposes ("hedging") and applies hedge accounting for a significant portion of its hedging portfolio.

Market Risk

Foreign exchange risk — Foreign exchange risk arises when future commercial transactions or firm commitments, recognised monetary assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

The Company manages a long-term hedge portfolio with maturities of several years covering its net exposure to US dollar sales, mainly from the commercial activities of Airbus. This hedge portfolio covers a large portion of the Company's firm commitments and highly probable forecasted transactions.

Most of the Company's revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to a lesser extent in other foreign currencies. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this currency mismatch, its profits will be affected by changes in the €/US$ exchange rate. As the Company intends to generate profits primarily from its operations rather than through speculation on exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

With respect to its commercial aircraft products, until 30 June 2018 the Company typically hedged firmly committed sales in US dollar using a “first flow approach”. Under that approach, the foreign currency derivatives the Company entered into were designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implied that only a portion of the expected monthly customer payments made at aircraft delivery were hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations had no impact on the effectiveness of the hedge as long as the actual gross US dollar cash inflows received at aircraft delivery in a particular month exceeded the portion designated as being hedged in that month. However, if the monthly US dollar cash inflows received at aircraft delivery were expected to be, or proved to be, less than the notional amount of the hedges maturing in that month, the excess portion of the hedge notional would disqualify for hedge accounting and the related fair value changes or settlement gains or losses would be recognised in financial result.

As of 30 June 2018, the Company adopted a new hedge strategy to hedge its net exposure (US dollar revenue less US dollar cost) resulting from commercial aircraft deliveries of specific aircraft types. The strategy more closely aligns hedge accounting with risk management activities, and is described in “— Note 4: Change in Accounting Policies and Disclosures”.

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month, and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

The Company also hedges its expected foreign currency exposure arising from US dollar or pound sterling cash outflows in the commercial aircraft business on a first outflow basis, though to a much lesser extent than US dollar cash inflows.

In military aircraft and non-aircraft businesses, the Company hedges inflows and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

In situations where the payment dates for hedged firmly committed cash flows are not fixed and subject to potentially significant delays, the Company may use rollover strategies, usually involving foreign exchange swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IFRS 9, the Company uses the cash flow hedge model, which requires (i) recognising the effective portion of the fair value changes of the hedging derivatives in equity (within OCI) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, the Company hedges currency risk arising from financial assets or liabilities denominated in currencies other than the euro, including foreign currency receivable and payable accounts, as well as foreign currency denominated funding transactions or securities. The Company applies hedge accounting if a mismatch in terms of profit or loss recognition of the hedging instrument and hedged item would otherwise occur. Frequently, however, the currency-induced gains or losses of the hedging instrument and the hedged item match in terms of profit or loss recognition (“natural hedge”), so no hedge accounting is required. Sometimes such gains or losses may end up in different sections of the income statement (such as operating profit for the hedged item and financial result for the hedging instrument). If so, the Company may choose to present the gains or losses of both the hedging instrument and the hedged item in the same income statement line item if certain formal requirements are met.

As hedging instruments, the Company primarily uses foreign currency forwards, foreign currency options and to a minor extent non-derivative financial instruments. A hedge ratio of 1:1 is applied by the Company.

The Company also has foreign currency derivative instruments which are embedded in certain purchase contracts denominated in a currency other than the functional currency of any substantial party to the contract, principally in US dollar and pound sterling. If such embedded derivatives are required to be accounted for separately from the host purchase contract, related gains or losses are generally recognised in other financial result. However, if the embedded derivatives qualify for hedge accounting, the Company might choose to designate them as a hedging instrument in a hedge of foreign currency risk, in which case they are accounted for under the cash flow hedge model as described above.

Interest rate risk — The Company uses an asset-liability management approach with the objective to limit its interest rate risk. It undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities. The remaining net interest rate exposure is managed through several types of interest rate derivatives, such as interest rate swaps and interest rate futures contracts, in order to minimise risks and financial impacts.

The vast majority of related interest rate hedges qualify for hedge accounting, and most of them are accounted for under the fair value hedge model. As a result, both the fair value changes of these derivatives and the portion of the hedged items’ fair value change that is attributable to the hedged interest rate risk are recognised in profit and loss, where they offset to the extent the hedge is effective.

A few interest rate swaps that have been entered into as a hedge of certain of the Company variable rate debt (see “— Note 34.3: Financing Liabilities”) are accounted for under the cash flow hedge model. Related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

The Company invests in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as medium-term bonds. For its financial instruments portfolio, the Company has an Asset Liability Management Committee in place that meets regularly and aims to limit the interest rate risk on a fair value basis through a value-at-risk approach, from which results a hedge ratio that is however not actively steered.

Commodity price risk — The Company is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. It manages these risks in the procurement process and to a certain extent uses derivative instruments in order to mitigate the risks associated with the purchase of raw materials. To the extent that the gains or losses of the derivative and those of the hedged item or transaction do not match in terms of profit or loss, the Company applies cash flow hedge accounting to the derivative instruments, with a hedge ratio of 1:1.

Equity price risk — The Company is to a small extent invested in equity securities mainly for operational reasons. Its exposure to equity price risk is hence limited. Furthermore, it is exposed under its LTIP to the risk of the Company share price increases. The Company limits these risks through the use of equity derivatives that qualify for hedge accounting and have been designated as hedging instruments in cash flow hedges, with a hedge ratio of 1:1.

Sensitivities of market risks — The approach used to measure and control market risk exposure of the Company's financial instrument portfolio is, amongst other key indicators, the value-at-risk model ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Company is based upon a 95% confidence level and assumes a five-day holding period. The VaR model used is mainly based on the so-called "Monte-Carlo-Simulation" method. The model generates a wide range of potential future scenarios for market price movements by deriving the relevant statistical behaviour of markets for the portfolio of market data from the previous two years and observed interdependencies between different markets and prices.

The Company's VaR computation includes the Company's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade liabilities and receivables and contract assets.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- a five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR.
- the use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

The Company uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, its investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Company's Asset Liability Management Committee.

A summary of the VaR position of the Company financial instruments portfolio at 31 December 2018 and 2017 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2018					
Foreign exchange hedges for forecast transactions or firm commitments	711	0	716	0	88
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	82	28	70	0	34
Finance lease receivables and liabilities, foreign currency trade payables and receivables	21	0	20	0	19
Commodity contracts	3	0	0	3	0
Equity swaps	8	8	1	0	0
Diversification effect	(182)	(6)	(147)	0	(48)
All financial instruments	**644**	**31**	**659**	**3**	**93**
31 December 2017					
Foreign exchange hedges for forecast transactions or firm commitments	872	0	913	0	89
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges) [1]	63	17	56	0	20
Finance lease receivables and liabilities, foreign currency trade payables and receivables [1]	40	0	23	0	34
Commodity contracts	2	0	0	2	0
Equity swaps	2	2	0	0	0
Diversification effect [1]	(162)	(3)	(133)	0	(56)
All financial instruments [1]	**817**	**17**	**859**	**2**	**87**

(1) Previous year figures are restated due to the application of IFRS 15.

The decrease of the total VaR as of 31 December 2018 is mainly attributable to a strong decrease of market volatilities, in particular foreign exchange volatility €/US$, in combination with a decrease in net foreign exchange portfolio, compared to year-end 2017.

The Company uses its derivative instruments entirely for hedging purposes. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7, the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the foreign exchange hedging portfolio in the amount of €711 million (2017: €872 million) cannot be considered as a risk indicator for the Company in the economic sense.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. It manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2018 and 2017) in addition to the cash inflow generated by its operating business. The Company continues to keep within its asset portfolio the focus on low counterparty risk. In addition, it maintains a set of other funding sources, and accordingly may issue bonds, notes and commercial papers or enter into security lending agreements. Adverse changes in the capital markets could increase its funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Company's liquidity exposure is centralised by a daily cash concentration process. This process enables it to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, management monitors the Company's liquidity reserve as well as the expected cash flows from its operations.

The contractual maturities of the Company's financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	>5 years
31 December 2018								
Non-derivative financial liabilities	(28,302)	(29,843)	(20,541)	(429)	(1,452)	(726)	(1,075)	(5,620)
Derivative financial liabilities	(2,755)	(4,479)	(1,806)	(1,075)	(868)	(492)	(157)	(81)
Total	**(31,057)**	**(34,322)**	**(22,347)**	**(1,504)**	**(2,320)**	**(1,218)**	**(1,232)**	**(5,701)**
31 December 2017								
Non-derivative financial liabilities [1]	(25,185)	(27,030)	(16,280)	(428)	(812)	(1,896)	(829)	(6,785)
Derivative financial liabilities	(2,271)	(3,063)	(1,167)	(835)	(184)	(3)	(2)	(872)
Total [1]	**(27,456)**	**(30,093)**	**(17,447)**	**(1,263)**	**(996)**	**(1,899)**	**(831)**	**(7,657)**

(1) Previous year figures are restated due to the application of IFRS 15.

Non-derivative financial liabilities included in the table above comprise financing liabilities and finance lease liabilities as presented in the tables of "— Note 35.2: Carrying Amounts and Fair Values of Financial Instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments' refundable advances, which amount to €-4,577 million at 31 December 2018 (€-5,901 million at 31 December 2017) are not included.

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, it has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed by the Company. In order to ensure sufficient diversification, a credit limit system is used.

The Company monitors the performance of the individual financial instruments and the impact of market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus and ATR, the Company may agree to participate in customer financing, on a case-by-case basis either directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, the Company takes into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' creditworthiness *e.g.* airlines by way of internal risk pricing methods.

For further information relating to gross credit risk and impairment see "— Note 35.7: Impairment Losses"

35.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments — The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. Its financial liabilities include trade liabilities, obligations towards financial institutions, issued bonds and refundable advances from European Governments. All purchases and sales of financial assets are recognised on the settlement date according to market conventions.

From January 2018, the Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows, as described in "— Note 4: Change in Accounting Policies and Disclosures".

Until 31 December 2017, the Company classified its financial assets in the following three categories: (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Classification was determined by management at initial recognition and depended on the purpose of acquisition.

Available-for-sale ***financial assets*** — Financial assets classified as available-for-sale were accounted for at fair value. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items were recognised directly within AOCI. Upon disposal of such financial assets, the cumulative gain or loss previously recognised in equity was recorded as part of other income (other expenses) from investments in the Consolidated Income Statement for the period. Interest earned on the investment were presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment were recognised as other income (other expenses) from investments in the Consolidated Income Statement when the right to the payment had been established.

Financial assets at fair value through profit or loss — Within the Company, only derivatives not designated as hedges are categorised as held for trading. Furthermore, the Company designates certain financial assets (such as investments in accumulated money market funds) at fair value through profit or loss at initial recognition if they are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Company assigns its financial instruments into classes based on their balance sheet category.

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2018:

			Financial assets and liabilities at amortised cost		**Financial instruments total**	
(In € million)	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and other long-term financial assets						
Equity investments [1]	1,202	1,065	0	0	2,267	2,267
Customer financing	510	0	0	0	510	510
Other loans	0	0	1,523	1,523	1,523	1,523
Trade receivables	0	0	6,078	6,078	6,078	6,078
Contract assets	0	0	854	854	854	854
Other financial assets						
Derivative instruments	1,317	0	0	0	1,317	1,317
Non-derivative instruments	0	0	1,602	1,602	1,602	1,602
Securities	0	12,794	0	0	12,794	12,794
Cash and cash equivalents	6,576	984	1,853	1,853	9,413	9,413
Total	**9,605**	**14,843**	**11,910**	**11,910**	**36,358**	**36,358**
Liabilities						
Financing liabilities						
Bonds and commercial papers	0	0	(6,659)	(6,781)	(6,659)	(6,781)
Liabilities to financial institutions and others	0	0	(1,937)	(1,941)	(1,937)	(1,941)
Finance lease liabilities [2]	0	0	(330)	(330)	(330)	(330)
Other financial liabilities						
Derivative instruments	(2,755)	0	0	0	(2,755)	(2,755)
European Governments' refundable advances [3]	0	0	(4,577)	(4,577)	(4,577)	(4,577)
Others	0	(2,300)	(839)	(839)	(3,139)	(3,139)
Trade liabilities	0	0	(16,237)	(16,237)	(16,237)	(16,237)
Total	**(2,755)**	**(2,300)**	**(30,579)**	**(30,705)**	**(35,634)**	**(35,760)**

(1) Other than those accounted for under the equity method.
(2) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IFRS 9.
(3) The European Governments' refundable advances of €-4,577 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

The following table presents the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2017:

	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale	Loans and receivables and financial liabilities at amortised cost		Other	Financial instruments total	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised cost	Fair value		Book value	Fair value
Assets									
Other investments and other long-term financial assets									
Equity investments [2] [3]	0	0	0	2,441	0	0	0	2,441	2,441
Customer financing [4]	0	0	0	0	695	704	76	771	780
Other loans	0	0	0	0	1,521	1,521	0	1,521	1,521
Trade receivables [1]	0	0	0	0	5,487	5,487	0	5,487	5,487
Contract assets [1]	0	0	0	0	497	497	0	497	497
Other financial assets [6]									
Derivative instruments [7]	66	0	3,498	0	0	0	0	3,564	3,564
Non-derivative instruments	0	0	0	0	1,395	1,395	0	1,395	1,395
Securities	0	0	0	12,571	0	0	0	12,571	12,571
Cash and cash equivalents	0	6,256	0	2,085	3,675	3,675	0	12,016	12,016
Total [1]	**66**	**6,256**	**3,498**	**17,097**	**13,270**	**13,279**	**76**	**40,263**	**40,272**
Liabilities									
Financing liabilities									
Bonds and commercial papers	0	0	0	0	(7,063)	(7,363)	0	(7,063)	(7,363)
Liabilities to financial institutions and others	0	0	0	0	(3,791)	(3,838)	0	(3,791)	(3,838)
Finance lease liabilities [5]	0	0	0	0	0	0	(342)	(342)	(342)
Other financial liabilities									
Derivative instruments [8]	(239)	0	(2,032)	0	0	0	0	(2,271)	(2,271)
European Governments' refundable advances [6]	0	0	0	0	(5,901)	(5,901)	0	(5,901)	(5,901)
Others [1]	0	0	0	0	(582)	(582)	0	(582)	(582)
Trade liabilities [1]	0	0	0	0	(13,406)	(13,406)	0	(13,406)	(13,406)
Total [1]	**(239)**	**0**	**(2,032)**	**0**	**(30,743)**	**(31,090)**	**(342)**	**(33,356)**	**(33,703)**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Other than those accounted for under the equity method.
(3) For some equity investments for which market price quotes are not available, fair value estimates are based on valuation techniques. The range of such valuations is significant and the related probabilities cannot be reasonably assessed.
(4) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".
(5) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IAS 39. They are therefore assigned to the category "amortised cost".
(6) The European Governments' refundable advances of € -5,901 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.
(7) This includes credit value adjustments of € -36 million, of which € -36 million is recognised in OCI.
(8) This includes debit value adjustments of € 18 million, of which € 18 million is recognised in OCI.

Fair Value Hierarchy

Fair value of financial instruments — The fair value of quoted investments is based on current market prices. If the market for financial assets is not active, or in the case of unlisted financial instruments, the Company determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Derivative instruments are generally managed on the basis of the Company's net exposure to the credit risk of each particular counterparty and fair value information is provided to the Company's key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

Depending on the extent the inputs used to measure fair values rely on observable market data, fair value measurements may be hierarchised according to the following levels of input:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;
- Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from the Company's own data and may require the use of assumptions that are inherently judgemental and involve various limitations.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input. Otherwise, fair values are determined mostly based on Level 1 and Level 2 input and to a lesser extent on Level 3 input.

The following table presents the carrying amounts of the financial instruments held for the three levels of the **fair value hierarchy** as of 31 December 2018 and 2017, respectively:

	2018				2017			
(In € million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,778	0	489	2,267	1,963	0	0	1,963
Derivative instruments	0	1,152	165	1,317	0	3,564	0	3,564
Securities	10,721	2,073	0	12,794	10,995	1,576	0	12,571
Cash equivalents	6,576	984	0	7,560	6,256	2,085	0	8,341
Total	**19,075**	**4,209**	**654**	**23,938**	**19,214**	**7,225**	**0**	**26,439**
Financial liabilities measured at fair value								
Derivative instruments	0	(2,729)	(26)	(2,755)	0	(2,214)	(3)	(2,217)
Other financial liabilities	0	0	(2,300)	(2,300)	0	0	0	0
Total	**0**	**(2,729)**	**(2,326)**	**(5,055)**	**0**	**(2,214)**	**(3)**	**(2,217)**

The development of financial instruments of Level 3 is as follows:

	Financial assets				Financial liabilities			
(In € million)	Commodity swap agreements	Derivatives	Participations	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
Balance at 1 January 2017	**0**	**0**	**0**	**0**	**(28)**	**(11)**	**(10)**	**(49)**
Profit or loss	0	0	0	0	0	(9)	0	(9)
Other comprehensive income	0	0	0	0	0	0	0	0
Settlements	0	0	0	0	0	17	0	17
Release	0	0	0	0	28	0	10	38
Balance at 31 December 2017, IAS 39	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**(3)**
IFRS 9 implementation	0	0	478	478	0	0	0	0
Balance at 1 January 2018, IFRS 9	**0**	**0**	**478**	**478**	**0**	**(3)**	**0**	**(3)**
Business combination	0	198	0	198	(2,247)	0	0	(2,247)
Profit or loss	0	25	0	25	0	(67)	0	(67)
Other comprehensive income	0	0	23	23	0	0	0	0
Settlements	0	(58)	(12)	(70)	0	44	0	44
Others	0	0	0	0	(53)	0	0	(53)
Balance at 31 December 2018	**0**	**165**	**489**	**654**	**(2,300)**	**(26)**	**0**	**(2,326)**

The financial liabilities measured at fair value that are classified as Level 3 consist mainly of the written put options on non-controlling interests resulting from the acquisition of CSALP (see "— Note 6: Acquisitions and Disposals").

The Company has remeasured certain unlisted equity investments as described in "— Note 4: Change in Accounting Policies and Disclosures". The fair value of some of these equity investments have been determined using valuation methods such as the net asset value technique.

For short-term commodity contracts, the notional amounts, being the unobservable input, are set with reference to monthly commodity volumes that management expects to purchase based on planning forecasts. The fair values are otherwise determined using observable market data including quoted interest rates and pricing information obtained from recognised vendors of market data.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2018 and 2017, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition at 31 December 2018**	**Fair value at 31 December 2018**	Nominal amount at initial recognition at 31 December 2017	Fair value at 31 December 2017
Designated at fair value through profit or loss at recognition:				
Money market funds (accumulating)	5,415	5,416	6,256	6,256
Foreign currency funds of hedge funds	0	0	5	0
Foreign currency funds of fixed income funds	9	9	11	11
Total	**5,424**	**5,425**	**6,272**	**6,267**

The Company manages these assets and measures their performance on a fair value basis.

In addition, the Company invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 1,159 million (2017: € 1,186 million).

Fair Value Measurement Method

The Company uses the following methods to measure fair values:

Equity instruments — The fair values of listed equity instruments reflect quoted market prices. For non-listed equity investments for which quoted market prices are not available, the Company determines the fair values using valuation methods such as net asset values or a comparable valuation technique.

Customer financing assets and other loans — The carrying amounts reflected in the annual accounts are used as a proxy for fair value.

Contract assets, trade receivables and other receivables — The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the receivables' origination and their maturity.

Securities — The fair values of securities reflect their quoted market price at the end of the reporting period.

Cash and cash equivalents — include cash in hand, cash in banks, checks, fixed deposits as well as commercial papers and money market funds. The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of the instrument and its maturity or due date. The fair value of commercial papers is determined based on Level 2 input by discounting future cash flows using appropriate interest rates. The fair values of money market funds are determined by reference to their quoted market price.

Derivatives — The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognised vendors of market data. Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that the Company has with each counterparty. Except for certain short-term commodity contracts discussed in the Level 3 section above, derivative fair values are measured based on Level 2 input.

Financing liabilities — The fair values disclosed for financing liabilities, other than those of issued bonds and commercial papers, are determined based on Level 2 input by discounting scheduled or expected cash flows using appropriate market interest rates. The fair values disclosed for the issued EMTN and US dollar bonds reflect public price quotations that qualify as Level 1 input. For issued commercial papers, the carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of these instruments and their maturity.

Trade liabilities and current other financial liabilities — For the same reason as trade receivables, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2018 and 2017:

	31 December					
	2018	2017	**2018**	2017	**2018**	2017
(Rate in %)	€		US$		£	
6 months	(0.30)	(0.32)	2.95	1.91	1.05	0.87
1 year	(0.19)	(0.22)	3.10	2.18	1.29	0.90
5 years	0.14	0.25	2.60	2.24	1.31	1.03
10 years	0.76	0.81	2.73	2.39	1.44	1.27

35.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2018 and 2017, respectively:

				Related amounts not set off in statement of financial positions		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2018						
Financial asset	1,186	0	1,186	(872)	0	**314**
Financial liabilities	2,726	0	2,726	(872)	0	**1,854**
31 December 2017						
Financial asset	3,564	0	3,564	(2,068)	44	**1,540**
Financial liabilities	2,271	0	2,271	(2,068)	0	**203**

35.4 Notional Amounts of Derivative Financial Instruments

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Company through its use of derivatives.

The notional amounts of **foreign exchange derivative financial instruments** are as follows, specified by year of expected maturity:

	Remaining period						
(In € million)	1 year	2 years	3 years	4 years	5 years	>5 years	Total
31 December 2018							
Net forward sales contracts	20,843	18,496	13,540	6,173	1,098	71	**60,221**
Foreign exchange options	1,642	4,048	1,467	0	0	0	**7,157**
Foreign exchange swap contracts	0	2,473	0	0	0	0	**2,473**
31 December 2017							
Net forward sales contracts	18,568	16,596	14,007	8,304	2,356	241	**60,072**
Foreign exchange options	0	3,160	3,865	1,401	0	0	**8,426**
Foreign exchange swap contracts	(610)	0	0	0	0	0	**(610)**

The following table sets out the notional amount of foreign exchange hedges in place as of 31 December 2018 relating to the commercial activities of Airbus, and the average euro converted rates applicable to corresponding EBIT.

(In US$ million)	2019	2020	2021	2022	2023+	Total
Total hedges	**27,544**	**26,824**	**18,631**	**7,585**	**1,339**	**81,923**
Forward rates						
€/US$	1.23	1.23	1.24	1.27	1.30	1.24
£/US$	1.45	1.37	1.36	1.35	1.37	1.40

In 2018 new hedge contracts of US$ 19.0 billion (2017: US$ 12.4 billion) were added at an average rate of 1.25 US$/€ (2017: 1.22 US$/€).

As of 31 December 2018, the total hedge portfolio with maturities up to 2024 amounts to US$ 81.9 billion (2017: US$ 88.7 billion) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning. The average US$/€ hedge rate of the US$/€ hedge portfolio until 2024 amounts to 1.24 US$/€ (2017: 1.23 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.40 US$/£ (2017: 1.43 US$/£).

The notional amounts of **interest rate contracts** are as follows:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years	Total
31 December 2018									
Interest rate contracts	939	7	172	4	1,048	1,000	600	1,200	**4,970**
Interest rate future contracts	215	0	0	0	0	0	0	0	**215**
31 December 2017									
Interest rate contracts	1,101	950	7	675	4	1,001	1,523	2,000	**7,261**
Interest rate future contracts	0	0	0	0	0	0	0	0	**0**

Please also refer to "— Note 34.3: Financing Liabilities".

The notional amounts of **commodity contracts** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	>4 years	Total
31 December 2018	36	19	14	10	3	**81**
31 December 2017	53	21	13	8	2	**97**

The notional amounts of **equity swaps** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	>4 years	Total
31 December 2018	49	37	27	9	0	**123**
31 December 2017	52	49	19	0	0	**120**

35.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the **reconciliation of AOCI**, net of tax, resulting from cash flow hedge accounting as of 31 December 2018 under IFRS 9:

(In € million)	Hedging reserve
Balance at 1 January 2018 [1]	**(776)**
Changes in fair values	**3,832**
Foreign exchange contracts	3,825
Others	7
Amount reclassified to profit or loss (matured hedges)	**(800)**
Foreign exchange contracts	(799)
Others	(1)
Amount classified to profit or loss (inefficiency)	**(4)**
Foreign exchange contracts	(4)
Others	0
Tax impact	**(779)**
Balance at 31 December 2018	**1,473**

(1) Restated from IFRS 9, including the time value of options.

The following table presents the reconciliation of AOCI, net of tax, resulting from cash flow hedge accounting as of 31 December 2017 under IAS 39:

(In € million)	Equity attributable to equity owners of the parent	NCI	Total
Balance at 1 January 2017	**(7,153)**	**(41)**	**(7,194)**
Unrealised gains and losses from valuations, gross	8,143	2	8,145
Transferred to profit or loss for the period, gross	2,447	44	2,491
Changes in fair values of hedging instruments recorded in AOCI, gross	10,590	46	10,636
Changes in fair values of hedging instruments recorded in AOCI, tax	(2,843)	(11)	(2,854)
Share of change in fair values of hedging instruments from investments accounted for under the equity method, net	10	0	10
Changes in fair values of hedging instruments recorded in AOCI, net	7,757	35	7,792
Balance at 31 December 2017	**604**	**(6)**	**598**

The following table presents the amounts relating **to items designated as hedging instruments and hedge ineffectiveness** for cash-flow hedges as of 31 December 2018 under IFRS 9:

	Carrying values		OCI		Hedge inefficiency recorded in financial result	Amounts reclassified from hedge reserve to profit and loss
(In € million)	Asset	Liability	Changes in values of the hedging instrument	Other changes in value of the hedge reserve [1]		
Foreign currency risk						
Net forward sales contracts	868	(2,410)	2,749	807	(4)	(791)
Foreign exchange options	21	(28)	9	252	0	0
Embedded Derivatives	0	(16)	6	0	0	(9)
Interest rate risk	0	(3)	(5)	0	0	0
Commodity swap risk	10	(17)	4	0	0	(1)
Equity swap risk	19	(4)	9	0	0	0
Total	**918**	**(2,478)**	**2,771**	**1,059**	**(4)**	**(801)**

(1) Including the time value of the options and the forward element accounted for as a cost of hedging similar to the time value of options as described in "— Note 4: Change in Accounting Policies and Disclosures".

The following table presents the amounts relating to items designated as hedging instruments as of 31 December 2017 under IAS 39:

	2017	
(In € million)	Assets	Liabilities
Foreign currency contracts - cash flow hedges	3,386	(1,888)
Foreign currency contracts - not designated in a hedge relationship	1	(5)
Interest rate contracts - cash flow hedges	0	(11)
Interest rate contracts - fair value hedges	69	(84)
Interest rate contracts - not designated in a hedge relationship	31	(35)
Commodity contracts - cash flow hedges	5	(9)
Commodity contracts - not designated in a hedge relationship	2	(3)
Equity swaps - cash flow hedges	38	0
Embedded bonds conversion option - not designated in a hedge relationship	0	(196)
Embedded foreign currency derivatives - cash flow hedges	0	(39)
Embedded foreign currency derivatives - not designated in a hedge relationship	32	(1)
Total	**3,564**	**(2,271)**

35.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2018 and 2017, respectively, are as follows:

(In € million)	**2018**	2017
Financial assets or financial liabilities at fair value through profit or loss		
Held for trading	(104)	603
Designated on initial recognition	(254)	(214)
Financial assets at amortised cost	(30)	0
Loans and receivables [(1) (2)]	0	(21)
Financial assets at fair value through OCI (previously available-for-sale)	2	(268)
Financial liabilities measured at amortised cost	1,360	1,303

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Includes impairment losses for 2017 (IAS 39).

Net gains of €329 million (2017: net gains of €398 million) are recognised directly in equity relating to financial assets at fair value.

Interest income from financial assets or financial liabilities through profit or loss is included in net gains or losses.

35.7 Impairment Losses

Loss allowances — For its portfolio of debt instruments including bonds, term deposits and commercial papers, the Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the next 12 months, unless the credit risk on a financial instrument has increased significantly since initial recognition. In the event of such significant increase in credit risk the Company measures loss allowances for that financial instrument at an amount equal to its life-time excepted losses, *i.e.* at an amount equal to the excepted credit losses that result from all possible default events over the excepted life of that financial instrument.

Investment grade instruments — The Company considers a significant increase in credit risk to have occurred, if there is a downgrade by four notches such that the instrument moves into a high yield bucket as a direct result of the downgrade. With respect to instruments that were high yield at initial recognition, a downgrade by four notches is considered as a significant increase in credit risk.

(In € million)	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Credit impaired ECL	**Total**
At 1 January 2018	3.36	0	0	3.36
Change in financial assets	0.07	0.75	0	0.82
Change in risk parameters	0.06	0.38	0	0.44
At 31 December 2018	**3.49**	**1.13**	**0**	**4.62**

The following table breaks down the **gross carrying amount of loans and receivables** according to IFRS 9, separately showing those that are impaired, renegotiated or past due:

(In € million)	Not past due	Renegotiated/ not past due/not impaired	Impaired	Past due ≤3 months	Past due >3 and ≤6 months	Past due >6 and ≤9 months	Past due >9 and ≤12 months	Past due >12 months	Impairment charge	Total
31 December 2018										
Trade receivables	4,647	179	229	317	300	98	84	400	(175)	6,079
Contract assets	856	0	0	0	0	0	0	0	0	856
Others	2,410	2	191	81	43	37	62	503	(204)	3,125
Total (1)	**7,913**	**181**	**420**	**398**	**343**	**135**	**146**	**903**	**(379)**	**10,060**

(1) Customer financing loans and finance leases are valued at fair value through profit and loss under IFRS 9. Hence, no impairment applies.

The following table breaks down the gross carrying amount of loans and receivables according to IAS 39, separately showing those that are impaired, renegotiated or past due:

(In € million)	Not past due	Renegotiated/ not past due/ not impaired	Impaired	Past due ≤3 months	Past due >3 and ≤6 months	Past due >6 and ≤9 months	Past due >9 and ≤12 months	Past due >12 months	Total
31 December 2017									
Customer financing	93	0	767	3	3	3	63	3	935
Trade receivables (1)	4,190	226	151	430	163	144	64	369	5,738
Contract assets (1)	497	0	0	0	0	0	0	0	497
Others	2,214	0	254	65	145	31	180	228	3,117
Total (1)	**6,994**	**226**	**1,172**	**498**	**311**	**178**	**307**	**600**	**10,287**

(1) Previous year figures are restated due to the application of IFRS 15.

The management believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The following **impairment losses** on financial assets are recognised in profit or loss in 2018 and 2017, respectively:

(In € million)	**2018**	2017
Other investments and other long-term financial assets		
Equity instruments (1)	0	(64)
Customer financing	0	(10)
Other loans	(32)	(4)
Trade receivables (2)	(40)	(43)
Contract assets (2)	0	(3)
Total (2)	**(72)**	**(124)**

(1) Customer financing and equity instruments are now measured at fair value.
(2) Previous year figures are restated due to the application of IFRS 15.

2.8 Other Notes

36. Litigation and Claims

Litigation and claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with certainty. The Company believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Company to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term "reasonably possible" is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely.

The Company is involved from time to time in various legal and arbitration proceedings in the ordinary course of its business, the most significant of which are described below. Other than as described below, the Company is not aware of any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), during a period covering at least the previous twelve months which may have, or have had in the recent past significant effects on Airbus SE's or the Company's financial position or profitability.

If the Company concludes that the disclosures relative to contingent liabilities can be expected to prejudice seriously its position in a dispute with other parties, the Company limits its disclosures to the nature of the dispute.

WTO

Although the Company is not a party, the Company is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. On 19 December 2014, the European Union requested WTO consultations on the extension until the end of 2040 of subsidies originally granted by the State of Washington to Boeing and other US aerospace firms until 2024.

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus from European Governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter was referred to the WTO for further review pursuant to WTO rules. A decision was published in May 2018 in which the WTO clarified that the EU and the Company have achieved compliance in respect of the majority of the subsidies at issue but considered that some remaining obligations required minor adjustments, which have since been addressed by the EU. Because the US did not agree on the EU compliance efforts, the US requested the resumption of Article 22.6 arbitration proceedings to quantify the amount of countermeasures against the EU. In September 2018, the US requested an annual amount of countermeasures of US$ 11.2 billion. The Company considers the US' request unjustified given the measures taken to comply with the Appellate Body decision of May 2018. The Company has worked with the European Commission and the Member State governments to fully implement the WTO findings in the Appellate Body's decision and asserts that the new measures taken render the sanctions request moot.

On 23 March 2012, the WTO adopted the Appellate Body's final report in the case brought by the EU assessing funding to Boeing from the US. On 23 September 2012, the US informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the EU did not agree, the matter is now under WTO review pursuant to WTO rules.

Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU. Unless a settlement, which is currently not under discussion, is reached between the parties, the litigation is expected to continue for several years.

GPT

In August 2012, the UK Serious Fraud Office ("SFO") announced that it had opened a formal criminal investigation in relation to GPT Special Project Management Ltd ("GPT"), a subsidiary operating in Saudi Arabia that the Company acquired in 2007. The investigation relates to issues initially raised by a whistleblower concerning contractual arrangements originating prior to GPT's acquisition and continuing thereafter. The Company has engaged with the SFO throughout and continues to actively cooperate with the investigation.

Eurofighter Austria

In February 2017, the Austrian Federal Ministry of Defence raised criminal allegations against Airbus Defence and Space GmbH and Eurofighter Jagdflugzeug GmbH for wilful deception and fraud in the context of the sale of the Eurofighter aircraft to Austria and respective damage claims. After the Austrian Federal Ministry of Defence raised its criminal allegations, the Austrian public prosecutor opened an investigation against Airbus Defence and Space GmbH, Eurofighter Jagdflugzeug GmbH and former and current employees of the two entities. The Company has filed several submissions to the Vienna Public Prosecutor in response to the allegations of deception in the procurement of Eurofighter combat aircraft made by the Austrian Defence Minister. The Company is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF and Related Commercial Litigation

In the context of review and enhancement of its internal compliance improvement programme, the Company discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for the Company's customers. In early 2016, the Company informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities it had discovered. The Company made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed the Company that it had opened an investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus relating to irregularities concerning third party consultants (business partners). In March 2017, France's Parquet National Financier ("PNF") informed the Company that it had also opened a preliminary investigation into the same subject and that the two authorities would act in coordination going forward. The Company is cooperating fully with both authorities including in respect of potential issues across the Company's business. As part of the Company's engagement with the US authorities, the latter have requested information relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company is cooperating with the US authorities in close coordination with the SFO and PNF. The investigations and any penalties potentially levied as a result could have negative consequences for the Company. The potential imposition of any monetary penalty (and the amount thereof) or other sanction including tax liability arising from the investigations will depend on the ultimate factual and legal findings of the investigation, and could have a material impact on the financial statements, business and operations of the Company. However, at this stage it is too early to determine the likelihood or extent of any such possible consequence. Investigations of this nature could also result in (i) civil claims or claims by shareholders against the Company (ii) adverse consequences on the Company's ability to obtain or continue financing for current or future projects (iii) limitations on the eligibility of group companies for certain public sector contracts and/or (iv) damage to the Company's business or reputation via negative publicity adversely affecting the Company's prospects in the commercial market place.

In light of these investigations, the Company enhanced certain of its policies, procedures and practices, including ethics and compliance and export control. The Company has revised and implemented improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities. The Company believes that these enhancements to its controls and practices will best position it for the future, particularly in light of advancements in regulatory standards. Several consultants and other third parties have initiated commercial litigation and arbitration against the Company seeking relief. The enhancement of its controls and practices has led to additional commercial litigation and arbitration against the Company and may lead to other civil law or criminal law consequences in the future, which could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability.

ECA Financing

The Company and the ECAs reached agreement on a process under which it is able to resume making applications for ECA-backed financing for its customers across the Company on a case-by-case basis for a limited number of transactions.

Other Investigations

The Company is cooperating fully with the authorities in a judicial investigation in France related to Kazakhstan. In this spirit, the Company asked to be interviewed by the investigating magistrates and has been granted the status of "assisted witness" in the investigation.

The Company is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

Following a review of its US regulatory compliance procedures, the Company discovered and subsequently informed relevant US authorities of its findings concerning certain inaccuracies in filings made with the US Department of State pursuant to Part 130 of the US International Traffic in Arms Regulations ("ITAR") (a US export control regulation). The Company is cooperating with the US authorities. The Company is unable to reasonably estimate the time it may take to resolve the matter or the amount or range of potential loss, penalty or other government action, if any, that may be incurred in connection with this matter.

Other Disputes

In May 2013, the Company was notified of a commercial dispute following the decision taken by the Company to cease a partnership for sales support activities in some local markets abroad. The Company believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2020 at the earliest.

In the course of another commercial dispute, the Company received a statement of claim by the Republic of China (Taiwan) alleging liability for refunding part of the purchase price of a large contract for the supply of missiles by subsidiary Matra Défense S.A.S., which the customer claims it was not obliged to pay. An arbitral award was rendered on 12 January 2018 with a principal amount of € 104 million plus interest and costs against Matra Défense S.A.S. Post-award proceedings are currently underway.

37. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2018 have been charged by EY to the Company, its subsidiaries and other consolidated entities:

(In € thousand)	**2018**	2017
Audit of the financial statements	12,098	9,238
Other audit engagements	244	810
Tax services	766	690
Other non-audit services	1,245	5,416
Total	**14,353**	**16,154**

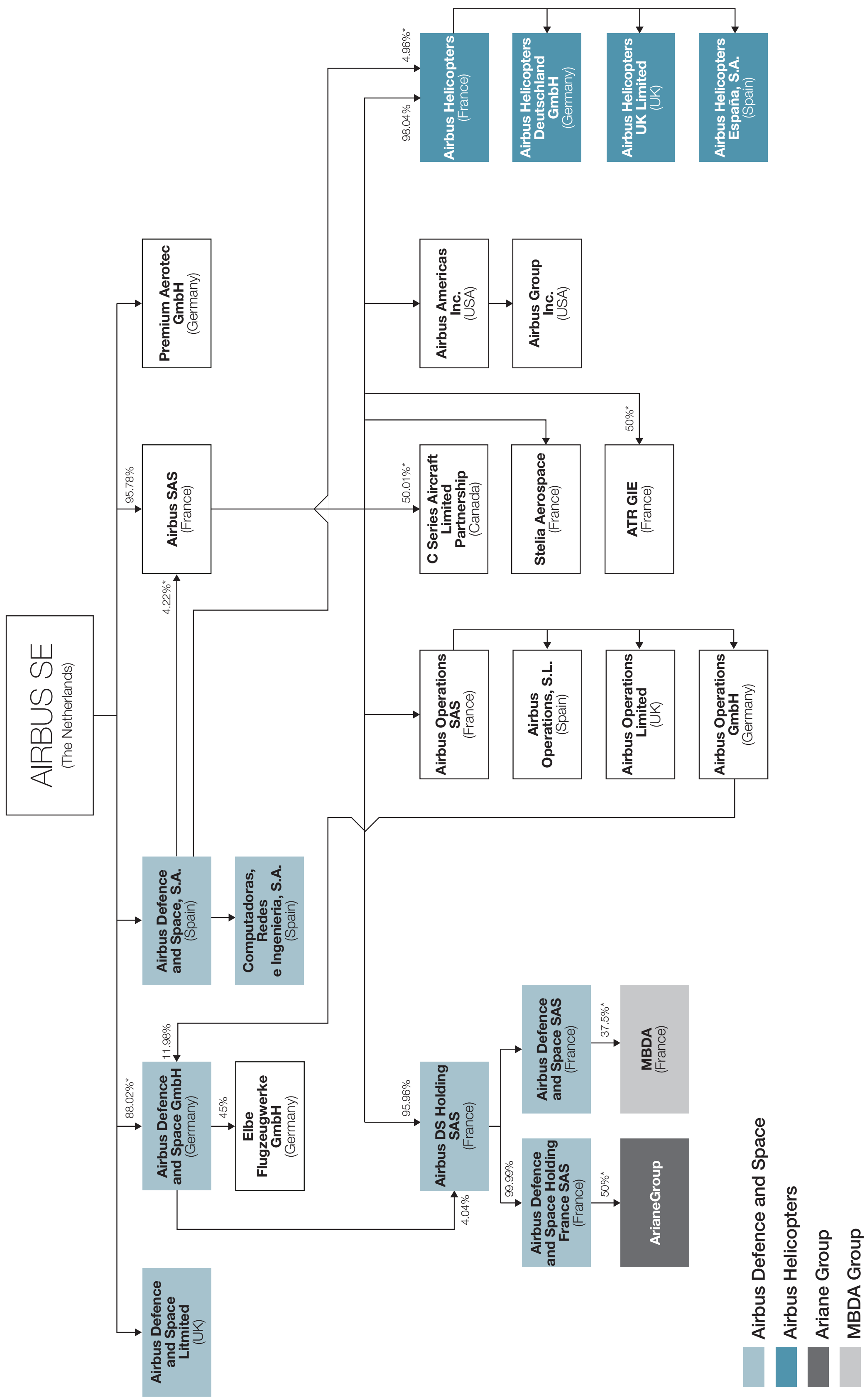
Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of €6 million in 2018 (2017: €5 million).

38. Events after the Reporting Date

The Company and its largest A380 operator signed a head of agreement on 11 February 2019 (see "— Note 10: Revenue and Gross Margin").

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 13 February 2019.

2.9 Appendix "Simplified Airbus Structure"



Subsidiaries held with no indication of ownership percentage are 100% owned.
** Indirectly*
Legal forms are indicated for information purposes and are not always part of the legal name.

2

Chapter

3

3
Airbus SE IFRS Company Financial Statements

IFRS Company Income Statement for the years ended 31 December 2018 and 2017

(In € million)	Note	**2018**	2017
Operating income		393	656
Operating expenses		(270)	(841)
Income from investments		46	614
Loss on disposal of investments	7	(369)	0
Total operating result	4	**(200)**	**428**
Interest income		233	211
Interest expense		(195)	(159)
Other financial result		(33)	(1)
Total financial result	5	**5**	**51**
Profit (loss) before income taxes		**(195)**	**479**
Tax income (expense)	6	(32)	3
Profit (loss) for the period		**(227)**	**483**

IFRS Company Statement of Comprehensive Income for the years ended 31 December 2018 and 2017

(In € million)	**2018**	2017
Profit (loss) for the period	**(227)**	**483**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of financial assets [(1)]	(430)	101
Net change in fair value of cash flow hedges	1	5
Other comprehensive income, net of tax	**(429)**	**106**
Total comprehensive income for the period	**(656)**	**589**

(1) IFRS 9 new classification category (prior-year: change in fair value of available-for-sale financial assets).

IFRS Company Statement of Financial Position at 31 December 2018 and 2017

(In € million)	Note	**2018**	2017
Assets			
Non-current assets			
Investments in subsidiaries and associates	7	16,797	16,576
Long-term financial assets	8	1,468	3,040
Non-current other financial assets	8	1,882	3,898
Non-current other assets		1	5
Deferred tax assets	6	12	22
Non-current securities	12	10,473	10,812
		30,633	**34,353**
Current assets			
Trade receivables		165	31
Current other financial assets	8	2,152	1,938
Current accounts Airbus companies	8	8,013	9,581
Current other assets		85	124
Current securities	12	2,073	1,576
Cash and cash equivalents	12	7,886	11,038
		20,374	**24,288**
Total assets		**51,007**	**58,641**
Equity and liabilities			
Stockholders' equity	11		
Issued and paid up capital		777	775
Share premium		2,941	2,826
Retained earnings		6,636	6,903
Legal reserves		31	459
Treasury shares		(51)	(2)
Result of the year		(227)	483
		10,106	**11,444**
Non-current liabilities			
Long-term financing liabilities	12	6,746	8,106
Non-current financial liabilities	8	2,015	4,055
		8,761	**12,161**
Current liabilities			
Short-term financing liabilities	12	0	660
Current accounts Airbus companies	8	30,175	32,127
Current financial liabilities	8	1,906	1,730
Current other liabilities		58	519
		32,139	**35,036**
Total equity and liabilities		**51,007**	**58,641**

IFRS Company Statement of Cash Flows for the years ended 31 December 2018 and 2017

(In € million)	Note	2018	2017
Profit for the period (Net income)		**(227)**	**483**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(233)	(211)
Interest expense		195	159
Interest received		260	209
Interest paid		(139)	(209)
Income tax received		0	0
Depreciation and amortisation		0	0
Valuation adjustments		39	(345)
Tax (income) expense		44	(18)
Change in income tax assets, income tax liabilities and provisions for income tax		(12)	12
Dividends received		(45)	0
Change in current and non-current provisions		1	(31)
Change in other operating assets and liabilities:		**(553)**	**525**
Trade receivables		(134)	106
Trade liabilities		(425)	406
Other assets and liabilities		6	13
Cash provided by (used for) operating activities		**(670)**	**575**
Investments:			
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests	7	(270)	(260)
Payments for long-term financial assets		(532)	(327)
Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		0	0
Repayments of other long-term financial assets		1,935	164
Dividends received		45	0
Payments for investments in securities		(1,874)	(3,742)
Proceeds from disposals of securities		1,845	2,400
Cash provided by (used for) investing activities		**1,149**	**(1,765)**
Draw-down in financing liabilities		0	1,399
Repayment of financing liabilities		(2,180)	(88)
Change in current accounts Airbus companies		(326)	3,118
Cash distribution to Airbus SE shareholders		(1,161)	(1,043)
Changes in capital		117	83
Share buyback		(49)	1
Cash (used for) provided by financing activities		**(3,599)**	**3,470**
Effect of foreign exchange rate changes on cash and cash equivalents		(32)	0
Net (decrease) increase in cash and cash equivalents		**(3,152)**	**2,280**
Cash and cash equivalents at beginning of period		**11,038**	**8,758**
Cash and cash equivalents at end of period	12	**7,886**	**11,038**

IFRS Company Statement of Changes in Equity for the years ended 31 December 2018 and 2017

(In € million)	Capital stock	Share premium	Retained earnings	Legal reserves (1) Financial assets at fair value (2)	Legal reserves (1) Cash flow hedges	Treasury shares	Total equity
Balance at 1 January 2017	**773**	**2,745**	**7,914**	**359**	**(6)**	**(3)**	**11,782**
Profit for the period	0	0	483	0	0	0	483
Other comprehensive income	0	0	0	101	5	0	106
Total comprehensive income for the period	0	0	483	101	5	0	589
Capital increase	2	81	0	0	0	0	83
Share-based payments (IFRS 2)	0	0	32	0	0	0	32
Cash distribution to Airbus SE shareholders	0	0	(1,043)	0	0	0	(1,043)
Change in treasury shares	0	0	0	0	0	1	1
Balance at 31 December 2017	**775**	**2,826**	**7,386**	**460**	**(1)**	**(2)**	**11,444**
Restatements (3)	0	0	367	(370)	0	0	(3)
Balance at 1 January 2018	**775**	**2,826**	**7,753**	**90**	**(1)**	**(2)**	**11,441**
Profit for the period	0	0	(227)	0	0	0	(227)
Other comprehensive income	0	0	0	(59)	1	0	(58)
Total comprehensive income for the period	0	0	(227)	(59)	1	0	(285)
Capital increase	2	115	0	0	0	0	117
Share-based payments (IFRS 2)	0	0	43	0	0	0	43
Cash distribution to Airbus SE shareholders	0	0	(1,161)	0	0	0	(1,161)
Change in treasury shares	0	0	0	0	0	(49)	(49)
Cancellation of treasury shares	0	0	0	0	0	0	0
Balance at 31 December 2018	**777**	**2,941**	**6,408**	**31**	**0**	**(51)**	**10,106**

(1) The distribution of legal reserves is restricted by Dutch law.
(2) IFRS 9 new classification category (prior-year: available-for-sale financial assets).
(3) Opening balance figures are restated due to the application of IFRS 9.

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Chapter

4

4
Notes to the IFRS Company Financial Statements

Contents

4.1 Basis of Presentation

1. The Company

The Company's principal activity is acting as a holding and management company for the subsidiaries of **Airbus SE**, the "Company", a listed company in the form of a European Company (*Societas Europaea*), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands) and registered at the Chamber of Commerce in The Hague under number 24288945. The Company has its listings at the European Stock Exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Financial Statements were authorised for issue by the Company's Board of Directors on 13 February 2019. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

2. Significant Accounting Policies

Basis of preparation — The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Dutch Civil Code.

In the Company Financial Statements of Airbus SE, unless otherwise disclosed, the same accounting principles have been applied as set out in the Notes to the Consolidated Financial Statements, except for the valuation of the investments as presented under investments in subsidiaries and associates in the Company Financial Statements. These policies have been consistently applied to all years presented.

In the Company Financial Statements, the investments in subsidiaries and associates are recorded at acquisition cost. In the Company Statement of Income, dividend received from investments is recorded as dividend income.

Due to this application, the Company equity and net result are not equal to the consolidated equity and net result. A reconciliation of the total shareholders' equity and profit for the period is presented in Note 11 "Total Equity" to the Company Financial Statements.

The Company Financial Statements have been prepared on a historical cost basis, except the equity instruments, securities and derivative instruments measured at fair value.

Regarding the application of new, revised or amended IFRS standards issued and applying from 1 January 2018 and issued but not yet applied please refer to Note 4 "Change in Accounting Policies and Disclosure" of the Company's Consolidated Financial Statements. The implementation of IFRS 15 has had no impact on the Financial Statements of the Company, and consequently, the comparative figures are not restated. The implementation of IFRS 9 has resulted in a decrease in the opening equity 2018 of € -3 million due to expected credit loss impairment on financial assets.

In addition, no material changes is expected in the Company Financial Statements of Airbus SE from the implementation of the new standards not yet applied. Further information about Share-Based Payments and Employee Stock Ownership Plans (ESOP) is presented in Note 30 and information about Remuneration is presented in Note 31 of the Consolidated Financial Statements.

The information with regard to Capital Management is disclosed in Note 33, further information about Litigation and Claims refers to Note 36 and Events after the Reporting Date are disclosed in Note 38 of the Company's Consolidated Financial Statements.

Unless reference is made to the accounting policies described in the Consolidated Financial Statements, the main accounting policies applied in the preparation of these Company Financial Statements are described in each accounting area. These accounting policies have been consistently applied to all financial years presented, unless otherwise stated.

The following table shows the measurement categories of financial instruments:

(In € million)	Measurement categories according to IAS 39	Carrying amount according to IAS 39 at 31 December 2017	**Measurement categories according to IFRS 9**	**Carrying amount according to IFRS 9 at 1 January 2018**
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	1,193	Fair value through OCI	0
			Fair value through profit and loss	1,193
Other loans	Loans and receivables	3,234	Amortised cost	3,234
Trade receivables	Loans and receivables	31	Amortised cost	31
Other financial assets				
Derivative instruments	Fair value through profit and loss	5,640	Fair value through profit and loss	5,640
Current account Airbus companies	Loans and receivables	9,581	Amortised cost	9,581
Securities	Available-for-sale	12,388	Fair value through OCI	12,388
Cash and cash equivalents	Fair value through profit and loss	6,256	Fair value through profit and loss	6,256
	Available-for-sale	2,085	Fair value through OCI	900
			Fair value through profit and loss	1,185
	Loans and receivables	2,697	Amortised cost	2,697
Total		**43,105**		**43,105**
Liabilities				
Financing liabilities				
Bonds and commercial papers	Amortised cost	2,751	Amortised cost	2,751
Liabilities to financial institutions and others	Amortised cost	1,715	Amortised cost	1,715
Internal loans payable	Amortised cost	4,300	Amortised cost	4,300
Other financial liabilities				
Derivative instruments	Fair value through profit and loss	5,784	Fair value through profit and loss	5,784
Current accounts Airbus companies	Amortised cost	32,127	Amortised cost	32,127
Total		**46,677**		**46,677**

Use of Estimates and Judgements

The preparation of the Company Financial Statements in conformity with EU-IFRS requires the use of estimates and assumptions. In preparing those financial statements, the management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Actual results could differ from these estimates.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in Note 7 “Investments in Subsidiaries, Associates and Participations” of the Company Financial Statements.

The details regarding the use of estimates and judgements are described in Note 3 “Use of Estimates and Judgements” of the Consolidated Financial Statements.

3. Related Party Transactions

Key Management Personnel

The details regarding the compensation of key management personnel are described in Note 8 “Related Party Transactions” of the Consolidated Financial Statements.

Intercompany Transactions

A comprehensive exchange of internal services between the subsidiaries of a multinational corporation like Airbus SE is common practice. In its responsibility as holding company to manage its subsidiaries and to assist the business activities conducted by Airbus companies and its subsidiaries, Airbus SE applies transfer prices for its business activities in conformity with market levels and in accordance with national and international tax requirements (arm’s length principle).

The following table discloses the related party intercompany transactions in 2018 and 2017:

(In € million)	**Transactions with subsidiaries 2018**	**Transactions with associates 2018**	Transactions with subsidiaries 2017	Transactions with associates 2017
Rendering of services, dividend income and interest income	501	61	772	28
Purchases of services, investment charge and interest expenses	(256)	(3)	(728)	(2)
Intercompany receivables due as of 31 December	9,791	95	12,729	87
Intercompany payables due as of 31 December	(33,056)	(965)	(35,422)	(1,005)
Hedge relationships receivable as of 31 December	3,793	0	5,640	0
Hedge relationships payable as of 31 December	3,921	0	5,784	0

For further information about granted guarantees to subsidiaries please refer to Note 9 “Commitments and Contingencies” of the Company Financial Statements.

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4.2 Company Performance

4. Total Operating Result

(In € million)	**2018**	2017
Operating income	**393**	**656**
Corporate services rendered to Airbus companies	393	656
Operating expenses	**(270)**	**(841)**
Service fees charged by Airbus companies	(119)	(698)
Administrative expenses	(151)	(143)
Income from investments	**46**	**614**
Dividends received from Airbus companies	46	13
Impairment reversal	0	601
Expense from investments	**(369)**	**0**
Loss on disposal of investments	(369)	0
Total operating result	**(200)**	**428**

5. Total Financial Result

(In € million)	**2018**	2017
Interest result (1)	**40**	**52**
Interest income from securities (2)	111	92
Interest income	122	119
Interest expense	(195)	(159)
Other financial result	**(33)**	**(1)**
Option liability exchangeable bond	33	(19)
Change in fair value measurement of financial assets (3)	(44)	0
Equity instruments	7	49
Interest rate hedging	4	(16)
Financing income (expense)	(7)	(8)
Foreign exchange translations	(26)	(6)
Total financial result	**5**	**51**

(1) In 2018, the total interest income amounts to €233 million (2017: €211 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss €-195 million (2017: €-159 million) are recognised as total interest expenses.
(2) IFRS 9 new classification category (prior-year: interest income from available-for-sale financial securities).
(3) New IFR9 classification (prior-year: financial asset at fair-value).

The Company is acting as a financial market agent on behalf of its subsidiaries, therefore the fair value changes of derivatives are reported on a net basis.

6. Income Tax

The Company is tax registered in the Netherlands. The Company is heading a fiscal unity, which also includes Airbus Finance B.V., Airbus DS Holdings B.V. and Airbus Defence and Space Netherlands B.V. and therefore the Company is severally and jointly liable for income tax liabilities of the fiscal unity as a whole.

Income taxes — The tax expense for the year comprises deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in Other Comprehensive Income.

The amount of income tax included in the Income Statement is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

The expense for income taxes is comprised of the following:

(In € million)	**2018**	2017
Current tax expense	0	0
Deferred tax income (expense)	(32)	3
Total	**(32)**	**3**

The following table shows reconciliation from the theoretical income tax expense using the Dutch corporate tax rate to the reported tax (expense) income:

(In € million)	**2018**	2017
Profit before income taxes	(195)	479
Corporate income tax rate	25%	25%
Expected expense for income taxes	**42**	**(120)**
Non-taxable income from investments	(80)	153
Option liability exchangeable bond	7	(5)
Income from other companies within the fiscal unity	(1)	(3)
Impairment	12	(12)
Other	(13)	(10)
Reported tax income (expense)	**(32)**	**3**

The first tranche of tax loss carry forwards (€22 million) will expire by the end of 2026.

Deferred income taxes as of 31 December 2018 are related to the following assets and liabilities:

	1 January 2018		Other movements		Movement through income statement	**31 December 2018**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(31)	22	0	0	0	(9)
Financial instruments	0	(9)	0	0	8	0	(1)
Net operating loss and tax loss carry forwards	62	0	0	0	(41)	21	0
Deferred tax assets (liabilities) before offsetting	**62**	**(40)**	**22**	**0**	**(32)**	**21**	**(9)**
Set-off	(40)	40	0	0	0	(9)	9
Net deferred tax assets (liabilities)	**22**	**0**	**22**	**0**	**0**	**12**	**0**

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Deferred income taxes as of 31 December 2017 are related to the following assets and liabilities:

	1 January 2017		Other movements		Movement through income statement	31 December 2017	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(43)	12	0	0	0	(31)
Financial instruments	0	(1)	(2)	0	(6)	0	(9)
Net operating loss and tax loss carry forwards	53	0	0	0	10	62	0
Deferred tax assets (liabilities) before offsetting	**53**	**(44)**	**10**	**0**	**3**	**62**	**(40)**
Set-off	(44)	44	0	0	0	(40)	40
Net deferred tax assets (liabilities)	**9**	**0**	**10**	**0**	**3**	**22**	**0**

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	**2018**	2017
Financial instrument at fair value through OCI [1]	(9)	(31)
Cash flow hedges	0	0
Total	**(9)**	**(31)**

(1) IFRS 9 new classification category (prior-year: available-for-sale investments).

4.3 Operational Assets and Liabilities

7. Investments in Subsidiaries, Associates and Participations

(In € million)	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2017	**14,435**	**21**	**1,089**	**15,545**
Additions	261	0	0	261
Release Impairment	601	0	0	601
Share-based payments (IFRS 2)	32	0	0	32
Fair value changes through OCI	0	0	137	137
Other adjustments	33	0	(33)	0
Balance at 31 December 2017	**15,362**	**21**	**1,193**	**16,576**
Fair value changes through OCI	0	0	(368)	(368)
Fair value changes through Profit or Loss	0	0	368	368
Balance at 1 January 2018	**15,362**	**21**	**1,193**	**16,576**
Additions	200	0	22	222
Release Impairment	0	0	0	0
Share-based payments (IFRS 2)	43	0	0	43
Fair value changes through Profit or Loss	0	0	(44)	(44)
Balance at 31 December 2018	**15,605**	**21**	**1,171**	**16,797**

Investments in Subsidiaries, Associated Companies and Participations

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the Company's subsidiaries and associated companies is recognised when the right to receive payment is established.

In 2018, the participations are stated at fair value with changes in fair value recognised in Profit and Loss.

For the purpose of impairment testing all consolidated subsidiaries are allocated to Cash Generating Units ("CGU") in a way they are monitored for internal management purposes. At each balance sheet date, the Company reviews whether there is an indication that a CGU to which its investments in subsidiaries and associated companies belong to are impaired.

An indication for impairment of the investments in subsidiaries and associated companies may include, respectively, management's downward adjustment of the strategic plan or a significant decrease in the share price of a publicly listed company. Further indications for impairment of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The discounted cash flow method is used to determine the recoverable amount of a CGU to which its investments in subsidiaries and associated companies belongs to. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Key assumptions used to determine the recoverable value of the CGU are the expected future labour expenses, future interest rates, future exchange rates to convert in euro the portion of future US dollar and pound sterling which are not hedged and the estimated growth rate of terminal values.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the Income Statement.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised.

The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The annual impairment test performed in 2018 led to no impairment charge.

Change of Investments in Subsidiaries

On 6 February 2018, Airbus SE internally acquired 49.10% of the shares in Aero Ré SA for a total amount of €9 million. On 17 December 2018, Airbus SE made a capital contribution of €25 million into Aero Ré SA.

On 26 July 2018, Airbus SE made a further capital contribution of €200 million into Airbus Bank GmbH.

On 26 September 2018, Airbus DS Holdings B.V. has been merged into Airbus SE with retroactive reflect on 1 January 2018. The impact of this merge in the Financial Statements of Airbus SE is a loss of €369 million mainly due to the irrecoverability of IC loan and current accounts. Airbus SE is the new stakeholder of Airbus Defence and Space Netherland B.V. and Airbus Defence and Space Limited, and increase is stake in Airbus SAS and Airbus Defence and Space GmbH: impact of the merge in the Investments €-69 million.

On 4 December 2018, Airbus SE contributed its 100% subsidiary Airbus Helicopters Holding SAS to its subsidiary Airbus SAS for a total amount of €991 million. In return for this contribution, Airbus SE received additional shares in Airbus SAS for an equivalent amount.

During the year 2018, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of €35 million (2017: €20 million).

On 27 January 2017, Airbus SE made a further capital contribution of €100 million into Airbus Group Bank GmbH.

On 16 November 2017, Airbus SE contributed its 100% subsidiary Airbus Group Inc to its subsidiary Airbus SAS for a total amount of €605 million. In return for this contribution, Airbus SE received additional shares in Airbus SAS for an equivalent amount. The valuation of Airbus Group Inc made for the contribution show a value of the company above the book value, allowing Airbus SE to release the impairment made in 2014 for €601 million.

On 19 December 2017, Airbus SE internally acquired 2.43% of the shares in Airbus DS Holdings B.V. for a total amount of €140.3 million.

During the year 2017, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of €20 million (2016: €14 million).

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2018	2017		
(in %) [1]		Company	Head office
100.00	50.90	Aero Ré S.A.	Bertrange (Luxembourg)
74.29	50.10	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	0.00	Airbus Defence and Space Limited	Stevenage (UK)
100.00	0.00	Airbus Defence and Space Netherlands B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
0.00	100.00	Airbus DS Holdings B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Bank GmbH	Munich (Germany)
100.00	100.00	Airbus Finance B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Group Ltd.	London (UK)
100.00	100.00	Airbus Group Proj B.V.	Leiden (Netherlands)
99.00	99.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
0.00	100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
95.78	90.26	Airbus S.A.S.	Toulouse (France)
100.00	100.00	DADC Luft- und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
9.89	9.93	Dassault Aviation S.A.	Paris (France)
100.00	100.00	Premium Aerotec GmbH	Augsburg (Germany)

(1) Percentages represent share held directly by Airbus SE.

8. Financial Assets and Liabilities

Financial assets and liabilities at 31 December 2018 and 2017 consist of the following:

(In € million)	2018	2017
Long-term financial assets	**1,468**	**3,040**
Long-term loans Airbus companies [1]	1,468	3,040
Long-term loans external	0	0
Non-current other financial assets	**1,882**	**3,898**
Positive fair values of derivative financial instruments	1,882	3,898
Current other financial assets	**2,152**	**1,938**
Positive fair values of derivative financial instruments	1,912	1,744
Current portion long-term loans Airbus companies	240	194
Current accounts Airbus companies [1]	**(22,162)**	**(22,546)**
Receivables from subsidiaries	8,013	9,581
Liabilities to subsidiaries	(30,175)	(32,127)
Non-current financial liabilities	**(2,015)**	**(4,055)**
Negative fair values of derivative financial instruments	(2,015)	(4,055)
Current financial liabilities	**(1,906)**	**(1,730)**
Negative fair values of derivative financial instruments	(1,906)	(1,730)

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus SE. Terms and conditions are in agreement with the prevailing market environment.

9. Commitments and Contingencies

Off-Balance Sheet Commitments

Airbus SE issued guarantees on behalf of Airbus companies in the amount of € 5,898 million (2017: € 7,227 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 18 "Property, Plant and Equipment", Note 25 "Sales Financing Transactions" and Note 35 "Information about Financial Instruments" of the Consolidated Financial Statements. The expected credit loss is considered to be non significant.

On 8 December 2015, Airbus SE entered into a partnership agreement to establish a corporate venture capital fund, dubbed Airbus Group Ventures, as well as a technology and business innovation center in Silicon Valley with a total commitment amount of US$ 150 million. On 25 November 2015, a first investment of US$ 5 million has been made into this fund. During the year 2018, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of US$ 42 million.

4.4 Employees

10. Number of Employees

The average number of the persons employed by the Company in 2018 was 2 (2017: 2). The employees are situated in the Netherlands.

4.5 Capital Structure and Financial Instruments

11. Total Equity

Airbus SE's shares are ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares outstanding:

(In number of shares)	**2018**	2017
Issued as at 1 January	**774,556,062**	**772,912,869**
Issued for ESOP	1,811,819	1,643,193
Issued as at 31 December	**776,367,881**	**774,556,062**
Treasury shares as at 31 December	(636,924)	(129,525)
Outstanding as at 31 December	**775,730,957**	**774,426,537**
Authorised shares	**3,000,000,000**	**3,000,000,000**

Holders of ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options in compliance with the implemented stock option plans and by employees of € 1,811,819 (2017: € 1,643,193) under the Employee Stock Ownership Plans ("ESOP").

Share premium mainly results from contributions in kind in the course of the creation of Airbus, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares.

Retained earnings include mainly the profit of the period and cash dividend payments to Airbus SE shareholders.

On 11 April 2018, the Shareholders' General Meeting decided to distribute a gross amount of € 1.50 per share, which was paid on 18 April 2018. For the fiscal year 2018, the Company's Board of Directors proposed a cash distribution payment of € 1.65 per share.

Legal reserves includes:

- change from ***financial assets at fair value*** (see Note 13.2 "Carrying Amounts and Fair Values of Financial Instruments");
- change in fair value of derivatives designated as ***cash flow hedges*** (see Note 13.2 "Carrying Amounts and Fair Values of Financial Instruments").

According to Dutch law, the OCI is considered to be a Legal Reserve and therefore distribution is restricted.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2018, the number of treasury stock held by the Company increase to 636,924 compared to 129,525 as of 31 December 2017. No shares were sold back to the market nor cancelled in 2018 (2017: 0 shares).

Authorisations Granted by the Shareholders' General Meeting of Airbus SE Held on 11 April 2018

On 11 April 2018, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2019, to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of:

- ESOPs and share-related LTIPs, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "— Note 30: Share-Based Payment");
- funding the Company and its subsidiaries, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "— Note 34.3: Financing Liabilities").

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 11 April 2018, the AGM authorised the Board of Directors for an 18 months period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, to establish the exact number of the relevant shares to be cancelled.

Reconciliation Consolidated to Company Equity and Net Income

The difference between the total shareholders' equity according to the Consolidated Financial Statements and Company's Financial Statements as at 31 December 2018 and 2017 is as follows:

(In € million)	**2018**	2017 [1]
Consolidated equity	**9,724**	**13,348**
OCI - Restatement of investments from Consolidated to Company Financial Statements	(103)	(2,283)
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(486)	(436)
Retained Earnings - Valuation investments at historical cost	2,071	1,487
Retained Earnings - Impairment of financial assets	(1,099)	(672)
Company's equity	**10,106**	**11,444**

(1) 2017 not restated of IFRS 15 impacts.

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2018 and 2017 is as follows:

(In € million)	**2018**	2017
Consolidated net income	**3,054**	**2,873**
Income from investments according to Consolidated Financial Statements	(3,007)	(3,014)
Income from investments according to Company Financial Statements	46	614
Loss on / Impairment of financial assets	(369)	0
Other valuation differences	49	10
Company's net income (Profit or loss for the period)	**(227)**	**483**

12. Cash, Securities and Financing Liabilities

12.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2018**	2017
Bank accounts	326	2,697
Short-term securities (at fair value through profit or loss)	6,576	6,256
Short-term securities (at fair value through OCI) [1]	984	2,085
Total cash and cash equivalents	**7,886**	**11,038**

(1) IFRS 9 new classification (prior-year: Short-term securities – available-for-sale).

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are recognised in cash equivalents.

12.2 Securities

	31 December	
(In € million)	**2018**	2017
Current securities at fair value through OCI	2,073	1,576
Non-current securities at fair value through OCI	10,135	10,812
Non-current securities at fair value through profit or loss	338	0
Total securities	**12,546**	**12,388**

Included in the securities portfolio as of 31 December 2018 and 2017, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,067 million nominal value; comparably in 2017: € 12,062 million) or floating rate coupons (€ 479 million nominal value; comparably in 2017: € 321 million) and foreign currency funds of hedge funds (€ 0 million nominal value; 2017: € 5 million).

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12.3 Financing Liabilities

Current and non-current classification – A financial asset or liability is classified as current if it is settled within 12 months after the reporting date, and as non-current otherwise.

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, and payables due to related parties.

The Company has received several euro-denominated loans and one US dollar-denominated loan from Airbus Finance B.V. ("AFBV"). It has also issued a convertible bond in euro and euro-denominated exchangeable bonds into Dassault Aviation shares and 2 stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. Furthermore, the Company had long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and has long-term US dollar-denominated loans outstanding with the Development Bank of Japan ("DBJ"). The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount *(in million)*	Carrying amount 31 December 2018	2017	Coupon or interest rate	Effective interest rate	Maturity	Additional features
Loans from Airbus Finance B.V.							
AGFBV 15 years (EMTN)	€500	€0	€500	3M Euribor +1.85%	at variable rate	Sept. 2018	
AGFBV 10 years (EMTN)	€1,000	€1,038	€1,031	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AGFBV 15 years (EMTN)	€500	€523	€517	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AGFBV 10 years (EMTN)	€600	€594	€584	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AGFBV 15 years (EMTN)	€900	€866	€851	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
AGFBV US$ Loan 10 years	US$1,000	€848	€818	2.72%	2.80%	Apr. 2023	Interest rate swapped into 3M US-Libor +0.68%
Loans from financial institutions							
DBJ 10 years	US$300	€87	€250	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$721	€0	€343	3M US-Libor +0.85%	3.20%	Aug. 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406	€0	€339	3M US-Libor +0.93%	at variable rate	Feb. 2020	
EIB 10 years	US$627	€0	€516	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years	US$320	€0	€267	6M US-Libor +0.56%	at variable rate	Dec. 2025	
Share buyback commitment		€0	€0				
Others		€0	€0				
Bond							
Convertible bond 7 years	€500	€477	€470	0.00%	1.39%	July 2022	Convertible into Airbus SE shares at €99.54 per share
Exchangeable bond 5 years	€1,078	€1,061	€1,054	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at €1,306.25 per share
US$ Bond 10 years	US$750	€632	€615	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US$ Bond 30 years	US$750	€621	€611	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Total		**€6,746**	**€8,765**				
thereof non-current financing liabilities		*€6,746*	*€8,106*				
thereof current financing liabilities		*€0*	*€660*				

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € 1,360 million to € 6,746 million (2017: € 8,106 million). The decrease in long-term financing liabilities is mainly related to the repayment by anticipation of the EIB loan for a total amount of US$ 1.6 billion in May and June 2018 and the repayment by anticipation of US$ 200 million of the DBJ loan in April and July 2018.

Short-term financing liabilities decreased by € 660 million to € 0 million (2017: € 660 million). The decrease in short-term financing liabilities is mainly related to the repayment of a Euro Medium Term Note ("EMTN") bond for € 500 million on September 2018 and the early repayment of the EIB loan for US$ 192 million in May and June 2018.

The Company can issue commercial paper under the so-called "*billet de trésorerie*" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of € 2 billion, increased in 2013 to a maximum volume of € 3 billion. As of 31 December 2018, there was no outstanding amount under the programme. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016. The commercial paper issuance activity was limited in the course of the year 2018.

In 2017, the increase in **long-term financing liabilities** is mainly due to the issuance in April 2017 of two bonds under the company's EMTN-Programme for a total amount of US$ 1.5 billion, maturing in 2027 and 2047. Included in the **short-term financing liabilities** is the bond under the company's EMTN-Programme maturing in September 2018 for an amount of € 500 million as well as the part of the EIB loan maturing in 2018 for an amount of US$ 193 million.

Reconciliation of liabilities arising from financing liabilities:

(In € million)	Balance at 1 January 2018	Cash flows	Non-cash movements: Fair value through profit or loss	Non-cash movements: Foreign exchange movements	Non-cash movements: Others	**Balance at 31 December 2018**
Bonds and commercial papers	2,750	0	(32)	59	14	2,791
Liabilities to financial institutions	1,715	(500)	24	40	3	3,868
Loans from Airbus Finance B.V.	4,300	(1,680)	7	46	0	87
Total	**8,765**	**(2,180)**	**(1)**	**(144)**	**18**	**6,746**

13. Information about Financial Instruments

13.1 Financial Risk Management

The Company acts as an intermediary for its subsidiaries when they wish to enter into derivative contracts to hedge against foreign exchange risk or other market risks such as interest rate risk, commodity price risk or equity price risk. The Company's practice is to set up a derivative contract with a subsidiary and at the same time enter into a back-to-back derivative transaction with a bank. Contracts with subsidiaries being thus mirrored (on a one-to-one basis) by contracts with banks, the Company's net exposure is virtually zero. There are, however, a few derivative contracts the Company holds in order to hedge its own market risk exposure.

As the Company's back-to-back hedge contracts are entered into with different counterparties, their fair values are reflected separately in the statement of Financial Position and recognised as other financial assets and financial liabilities as disclosed in Note 8 "Financial assets and liabilities" of the Company Financial Statements.

In the Statement of Income the results of the back-to-back hedge transactions, both realised and unrealised, are presented on a net basis as the Company acts as an agent for its subsidiaries.

The Company's overall financial risk management activities and their objectives are described in detail in section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Market Risk

Foreign exchange risk — The Company manages a long-term hedge portfolio with maturities of several years for its subsidiaries, mainly Airbus, and to a small extent for its joint ventures or associates. This hedge portfolio covers a large portion of Airbus' firm commitments and highly probable forecast transactions. As explained above, owing to the Company's back-to-back approach, its own exposure to foreign exchange risk is very limited.

Interest rate risk — The Company uses an asset-liability management approach with the objective to limit its interest rate risk. The Company undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities, the remaining net interest rate exposure being managed through several types of interest rate derivatives. If the derivative instruments qualify for hedge accounting in the Company Financial Statements the Company applies cash flow hedge accounting or fair value hedge accounting. For more information on the risk management and hedging strategies used by the Company please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Equity price risk — The Company is to a small extent invested in quoted equity securities mainly for strategic reasons. The Company's exposure to equity price risk is hence limited.

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Furthermore, Airbus is exposed under its Long-Term Incentive Plan (LTIP) to the risk of Airbus' share price movements. In order to limit these risks for the Company, the Company enters into equity derivatives that reference the Airbus Group SE share price.

Sensitivities of market risks — the approach used to measure and control market risk exposure within the Company's financial instrument portfolio is amongst other key indicators the value-at-risk ("VaR"). For information about VaR and the approach used by the Company to assess and monitor sensitivities of market risks please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The Company is part of the Company risk management process, which is more fully described in section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

A summary of the VaR position of the Company's financial instruments portfolio at 31 December 2018 and 2017 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2018				
Foreign exchange hedges	35	0	35	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	52	34	35	24
Equity swaps	3	3	0	0
Diversification effect	(51)	(2)	(68)	0
All financial instruments	**39**	**35**	**2**	**24**
31 December 2017				
Foreign exchange hedges	4	0	4	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	30	17	12	24
Equity swaps	2	2	0	0
Diversification effect	(5)	(3)	(1)	(1)
All financial instruments	**31**	**16**	**15**	**24**

The increase in the total VaR by €8 million to €39 million (2017: €31 million) is mainly attributable to an increase in equity market volatility. The increase in Currency VaR for foreign exchange hedges and financing liabilities and assets are linked to high year-end US$ inflows and according offsetting derivative transactions at the end of the year so that the net currency VaR decreased by €13 million to €15 million (2017: €2 million). The derivative instruments entered into with external counterparties are passed on a 1:1 basis to Airbus entities. As a result, the respective market risks of the external derivative instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its own and the Company's present and future commitments as they fall due. For information on how the Company monitors and manages liquidity risk, please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The contractual maturities of the Company financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year-2 years	2 years-3 years	3 years-4 years	4 years-5 years	More than 5 years
31 December 2018								
Non-derivative financial liabilities	(6,746)	(7,766)	(48)	(48)	(1212)	(547)	(921)	(4,990)
Derivative financial liabilities	(3,921)	(4,768)	(2,085)	(1,160)	(856)	(427)	(160)	(80)
Total	**(10,667)**	**(12,534)**	**(2,133)**	**(1,208)**	**(2068)**	**(974)**	**(1,081)**	**(5,070)**
31 December 2017								
Non-derivative financial liabilities	(8,766)	(9,948)	(746)	(243)	(616)	(1,592)	(672)	(6,079)
Derivative financial liabilities	(5,784)	(4,259)	(1,651)	(1,091)	(370)	(18)	(24)	(1,105)
Total	**(14,550)**	**(14,207)**	**(2,397)**	**(1,334)**	**(986)**	**(1,610)**	**(696)**	**(7,184)**

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, it has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed by the Company. In order to ensure sufficient diversification, a credit limit system is used.

The Company monitors the performance of the individual financial instruments and the impact of market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' creditworthiness by way of internal risk pricing methods.

In 2018, the total receivables, neither past due nor impaired amount to €250 million (2017: €176 million). On 1 January 2018, the impact of the application of the expected credit loss on the securities is €-3 million. In 2018, the total impact is non significant.

13.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments – The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. The Company's financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Company. Please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

From January 2018, the Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows, as described in "— Note 4: Change in Accounting Policies and Disclosures".

Until 31 December 2017, the Company classified its financial assets in the following three categories: (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Classification was determined by management at initial recognition and depended on the purpose of acquisition.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IAS 39 "Financial instruments: recognition and measurement") into classes based on their category in the statement of financial position.

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2018:

	Fair value through profit or loss	Fair value through OCI	Financial assets and liabilities at amortised cost		**Financial instruments total**	
(In € million)			Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and long-term financial assets						
Equity instruments	1,171	0	0	0	1,171	1,171
Loans	0	0	1,708	1,739	1,708	1,739
Trade receivables	0	0	165	165	165	165
Other financial assets						
Derivative instruments	3,794	0	0	0	3,794	3,794
Current account Airbus companies	0	0	8,013	8,013	8,013	8,013
Securities	338	12,208	0	0	12,546	12,546
Cash and cash equivalents	6,576	984	326	326	7,886	7,887
Total	**11,879**	**13,192**	**10,212**	**10,243**	**35,283**	**35,315**
Liabilities						
Financing liabilities						
Issued bonds and commercial papers	0	0	2,813	2,832	2,813	2,832
Liabilities to banks and other financing liabilities	0	0	87	88	87	88
Internal loans payable	0	0	3,846	3,950	3,846	3,950
Other financial liabilities						
Derivative instruments	3,921	0	0	0	3,921	3,921
Current accounts Airbus companies	0	0	30,175	30,175	30,175	30,175
Total	**3,921**	**0**	**36,922**	**37,045**	**40,842**	**40,966**

The following table presents the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2017:

	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale		Loans and receivables and financial liabilities at amortised cost		Financial instruments total	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised cost	Fair value	Book value	Fair value
Assets									
Other investments and long-term financial assets									
Equity instruments	0	0	0	1,193	1,193	0	0	1,193	1,193
Loans	0	0	0	0	0	3,234	3,856	3,234	3,856
Trade receivables	0	0	0	0	0	31	31	31	31
Other financial assets	0	0	0	0	0	0	0	0	0
Derivative instruments	5,586	0	54	0	0	0	0	5,640	5,640
Current account Airbus companies	0	0	0	0	0	9,581	9,581	9,581	9,581
Securities	0	0	0	12,388	12,388	0	0	12,388	12,388
Cash and cash equivalents	0	6,256	0	2,085	2,085	2,697	2,697	11,038	11,038
Total	**5,586**	**6,256**	**54**	**15,666**	**15,666**	**15,543**	**16,165**	**43,105**	**43,727**
Liabilities									
Financing liabilities									
Issued bonds and commercial papers	0	0	0	0	0	2,751	3,083	2,751	3,083
Liabilities to banks and other financing liabilities	0	0	0	0	0	1,715	3,081	1,715	3,081
Internal loans payable	0	0	0	0	0	4,300	4,298	4,300	4,298
Other financial liabilities									
Derivative instruments	5,698	0	86	0	0	0	0	5,785	5,785
Current accounts Airbus companies	0	0	0	0	0	32,127	32,127	32,127	32,127
Total	**5,698**	**0**	**86**	**0**	**0**	**40,893**	**42,590**	**46,679**	**48,375**

Fair Value Hierarchy

For further details please refer to Note 35.2 “Carrying Amounts and Fair Values of Financial Instruments” in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2018 and 2017, respectively:

	31 December 2018			31 December 2017		
(In € million)	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,171	0	1,171	1,193	0	1,193
Derivative instruments	0	3,794	3,794	0	5,641	5,641
Securities	12,546	0	12,546	12,388	0	12,388
Cash equivalents	6,577	984	7,561	7,441	900	8,341
Total	**20,294**	**4,778**	**25,072**	**21,022**	**6,542**	**27,564**
Financial liabilities measured at fair value						
Derivative instruments	0	3,921	3,921	0	5,785	5,785
Other liabilities	0	0	0	0	0	0
Total	**0**	**3,921**	**3,921**	**0**	**5,785**	**5,785**

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2018 and 2017, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition at 31 December 2018**	Nominal amount at initial recognition at 31 December 2017
Designated at fair value through profit or loss at recognition:		
Money market funds (accumulating)	6,577	7,441
Securities	338	0
Foreign currency funds of hedge funds	0	0
Total	**6,915**	**7,441**

The company manages these assets and measures their performance on a fair value basis.

In addition, the Company invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to €0 million (2017: €1,185 million).

13.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2018 and 2017, respectively:

				Related amounts not set off in the statement of financial position		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2018						
Financial assets	3,799	0	3,799	(879)	0	2,920
Financial liabilities	3,829	0	3,829	(879)	0	2,950
31 December 2017						
Financial assets	2,643	0	2,643	(1,472)	44	1,215
Financial liabilities	1,486	0	1,486	(1,472)	0	14

13.4 Notional Amounts of Derivative Financial Instruments

The notional amount of **interest rate contracts** are as follows, specified by year of expected maturity:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years	Total
31 December 2018									
Interest rate contracts	0	0	0	0	1,048	1,000	600	1,200	**3,848**
Interest rate future contracts	215	0	0	0	0	0	0	0	**215**
31 December 2017									
Interest rate contracts	0	0	0	343	0	1,001	1,523	2,000	**4,867**
Interest rate future contracts	0	0	0	0	0	0	0	0	**0**

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The notional amounts of **equity swaps** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	>4 years	Total
31 December 2018	49	37	27	9	0	**122**
31 December 2017	52	49	19	0	0	**121**

13.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the amounts relating to items designated as hedging instruments as of 31 December 2018 under IFRS 9:

	Carrying values	
(In € million)	Asset	Liability
Foreign currency risk		
Net forward sales contracts	0	0
Foreign exchange options	0	0
Interest rate risk	66	95
Commodity swap risk	0	0
Equity swap risk	0	0
Total	**66**	**95**

The following table presents the amounts relating to items designated as hedging instruments as of 31 December 2017 under IAS 39:

(In € million)	Assets	Liabilities
Foreign currency contracts - cash flow hedges	0	0
Foreign currency contracts - not designated in a hedge relationship	5,504	5,513
Interest rate contracts - cash flow hedges	0	1
Interest rate contracts - fair value hedges	54	84
Interest rate contracts - not designated in a hedge relationship	30	29
Commodity contracts - not designated in a hedge relationship	16	16
Equity swaps - not designated in a hedge relationship	38	0
Option component of Exchangeable Bond	0	141
Total	**5,641**	**5,784**

13.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2018 and 2017, respectively are as follows:

(In € million)	**2018**	2017
Financial assets or financial liabilities at fair value through profit or loss		
Held for trading	(51)	200
Designated on initial recognition	(39)	(214)
Financial assets at amortised cost	35	0
Loans and receivables [(1)]	0	(226)
Financial assets at fair value through OCI [(2)]	68	(205)
Financial assets at fair value through profit or Loss	(42)	0
Financial liabilities measured at amortised cost	(10)	448
Total	**(39)**	**4**

(1) Contain among others impairment losses.
(2) IFRS 9 new classification (prior-year: Available-for-sale financial assets)

14. Audit Fees

Fees related to professional services rendered by the Company's auditor, Ernst & Young Accountants LLP, for the fiscal year 2018 were €680 thousand (2017: €685 thousand). These fees relate to audit services only.

15. Events after the Reporting Date

There are no significant events after the reporting date.

Chapter

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5
Other Supplementary Information Including the Independent Auditor's Report

Other Supplementary Information

1. Appropriation of Result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The General Meeting of Shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the Company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the loss for the period of € 227 million as shown in the Income Statement for the financial year 2018 is to be added to retained earnings and that a payment of a gross amount of € 1.65 per share shall be made to the shareholders out of retained earnings.

2. Independent Auditor's Report

To: the shareholders and Board of Directors of Airbus SE

Report on the Audit of the Financial Statements 2018 included in the Annual Report

Our Opinion

We have audited the financial statements 2018 of Airbus SE (the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Airbus SE as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- the consolidated and Company statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated and Company income statement, the consolidated and Company Statements of Comprehensive Income, changes in equity and cash flows;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Airbus SE in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the *Wet toezicht accountantsorganisaties* (Wta, Audit firms supervision act), the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 292 million (2017: € 213 million)
Benchmark applied	5 % of the EBIT Adjusted
Explanation	We consider EBIT Adjusted as the most appropriate benchmark as it best aligns with the expectations of those charged with governance at Airbus and users of the Company's financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Board of Directors ("the Audit Committee") that misstatements in excess of € 10 million that are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the Group Audit

Airbus SE is at the head of a group of entities. The financial information of this group is included in the Consolidated Financial Statements of Airbus SE.

We are responsible for directing, supervising and performing the group audit. In this context, we have determined the nature and extent of the audit procedures to be carried out for the entities, based on their size and/or risk profile.

We scope entities into the group audit where they are of significant size, have significant risks to the Company associated with them or are considered for other reasons. This resulted in coverage of 88% of total consolidated revenue and 91% of total consolidated assets. The remaining 12% of revenues, and 9% of total assets result from entities, none of which individually represents more than 1% of revenues. For those entities, we performed, amongst others, analytical procedures to corroborate our assessment that the financial statements are free from material misstatements.

We executed an audit plan that includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), reviewing and discussing the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its divisions. In our audit instructions, we also included targeted audit procedures that address the key programmes (A220, A350, A380, A400M) as well as the risk of non-compliance with laws and regulations. We involved several EY specialists to assist the audit team, including specialists from our tax, actuarial, treasury and compliance departments.

The audit of the three Airbus divisions is performed jointly by EY network firms and non-EY audit firms. Meetings were held with the divisional auditors and divisional management to discuss the findings reported to the group audit team. We furthermore executed file reviews at EY network teams and non-EY audit firms.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Company's financial information to provide an opinion about the Consolidated Financial Statements.

Our Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk description	Our audit response
Litigation and claims and risk of non-compliance with laws and regulations	
A part of the Company's business is characterised by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition, the Company operates in a number of territories where the use of commercial intermediaries is normal practice. Certain entities of the group remain under investigation by various law enforcement agencies for amongst others alleged irregularities concerning third party consultants. Breaches of laws and regulations in these areas can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business. Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Company's result and its financial position. Reference is made to the disclosures on Note 3 "Key estimates and judgements", Note 22 "Provisions, contingent assets and contingent liabilities" and Note 36 "Litigations and claims" of the financial statements.	We evaluated and tested the Company's policies, procedures and controls over the selection of intermediaries, contracting arrangements, ongoing management, payments and responses to suspected breaches of policy. We evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk. We discussed with the Board of Directors, the Audit Committee, the Ethics and Compliance Committee as well as the Company's internal and external legal advisors the areas of potential or suspected breaches of law, including the ongoing investigations. To corroborate the results of those enquiries with third parties we assessed related non-privileged documentation. We have inquired the management, the Audit Committee, the Ethics and Compliance Committee and the Board of Directors as to whether the Company is in compliance with laws and regulations relating to bribery and corruption. We maintained a high level of vigilance to possible indications of significant non-compliance with laws and regulations relating to bribery and corruption whilst carrying out our other audit procedures. We gained additional assurance by comparing management's position to the assessment from external parties such as external lawyers in those cases where a high amount of judgement is involved. We have assessed whether the disclosure in Note 36 to the financial statements of the Company's exposure to the financial effects of potential or suspected breaches of law or regulation complies with the accounting standards. We determined that the disclosures in the financial statements reflect the current status of the investigation by the UK SFO, France's PNF and US DOJ as well as the review of business partner relationships in accordance with accounting standards.
Revenue recognition, including the application of IFRS 15	
The Company adopted the new standard on 1 January 2018, using the full retrospective transition method and electing the practical expedients for completed contracts and contract modifications. The allocation of the transaction price to and the identification of performance obligations in contracts are judgemental and could have a material effect on the Company's result and its financial position. Furthermore, the amount of revenue and profit recognised in a year for over time contracts is dependent on the assessment of the stage of completion of performance obligations as well as estimated total revenues and estimated total cost. The value of the backlog is disclosed in the notes. Reference is made to the disclosures on Note 2 "Significant Accounting Policies", Note 3 "Key estimates and judgements", Note 9 "Segment Information" and Note 10 "Revenue and gross margin" of the financial statements.	Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to IFRS 15 Revenue recognition, including the appropriate timing of revenue recognition method: over time or point in time. In addition we evaluated the design and implementation of internal controls for the sales process and tested individual sales transactions to assess proper identification of the performance obligations in the contracts, the completeness and valuation of the variable considerations constraints included in the transaction price and the reasonableness of the actual and estimated cost to complete included in the cost-to-cost method for contracts recognised over time. Our procedures furthermore included cut-off testing for point in time contracts to assess whether revenue was recognised in the correct period. The audit of the backlog end of 31 December 2018 included verifying the correct application of IFRS 15 and reconciling the backlog value presented in the disclosures with the underlying contract details and other supporting documentation. We did not identify evidence of material misstatement in the revenue recognised in the year and we determined that the appropriate disclosures were made in the financial statements.

Risk description	Our audit response
Estimations with respect to the contract margin for the accounting of onerous contracts and the assessment of the contract margin recognised for the significant over time contracts.	
Significant estimates are made to assess the contract margin, based on estimated revenue and costs for the key programmes including progress of costs (PoC) for over time contracts. Provisions for onerous contracts such as for the A400M and A380 are recognised when it becomes probable that the present value of unavoidable costs of fulfilling the obligations under the contract exceeds the present value of economic benefits expected to be received under the contract. The determination of these contract margins and provisions for onerous contracts is based on available best estimates and requires management's significant judgement and assumptions associated with the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as expected outcome from ongoing negotiations with customers. Reference is made to the disclosure on Note 2 "Significant Accounting Policies", Note 3 "Key estimates and judgements", Note 10 "Revenues and gross margin" and Note 22 "Provisions, contingent assets and contingent liabilities" of the financial statements.	We evaluated the design and implementation of internal controls for accounting for onerous contracts and assessment of the contract margin. We also performed substantive procedures on individually significant programmes, including discussions with the programme team including the Head of Programme. Furthermore we evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs and any provisions for onerous contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, paid specific attention to technical and market developments, including export opportunities, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information. For over time contracts and performance obligations we performed detailed testing of cost incurred and audited the correct application of margin at completion. Finally we determined that the appropriate disclosures were made in the financial statements.
Recoverability of assets related to significant programmes	
Capitalised development costs, jigs and tools and inventories relate mainly to the key programmes, such as the A350, A400M, A380 and NH90. Estimates of the future cash flows are necessary to determine if an impairment of assets has to be recognised. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial actions required to correct any performance issue detected. Owing to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments and provisions, this is a key audit area. Updates to these provisions can have a significant impact on the Company's result and financial position. Reference is made to the disclosures on Note 2 "Significant Accounting Policies", Note 21 "Inventories" and Note 22 "Provisions, contingent assets and contingent liabilities" of the financial statements.	We evaluated the design and implementation of internal controls for identifying and recording impairments and performed substantive audit procedures including inquiry of the programme controller and Head of Programmes and corroboration with other audit evidence. We evaluated management's assumptions in the determination of the forecasted revenue to be realised, cost to be incurred (including any contractual penalties) and the expected gross margin. Part of our evaluation was the assessment of the historical accuracy of the Company's estimates in previous periods and included an analysis of contingencies and impact of known technical issues on cost forecasts and provisions. In addition, with respect to the A380, we evaluated management's estimate regarding the reimbursement of the programme specific RLI's. Finally we determined that the appropriate disclosures were made in the financial statements.
Derivative financial instruments (including IFRS 9)	
The Company operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Company's revenue is dominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in Pounds Sterling. In response to these risks the Company uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates. There is a high inherent risk of error in the Company's Consolidated Financial Statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potentially significant changes in the exchange rate of the US dollar versus the Euro could have a significant impact on the consolidated equity of the Company via the "mark to market" valuation of the hedge portfolio. Reference is made to Note 35 "Information about financial instruments" of the financial statements.	For the audit of the financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of the hedge accounting rules and the resulting accounting treatment. In this process we also assessed the delivery profile used as a basis to the hedge accounting effectiveness test. We obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Based on a sample of derivative financial instruments we assessed that the valuation of the financial instruments is within a pre-defined tolerable variance threshold and no material exceptions were noted. The results of our procedures relating to management's accounting for derivative financial instruments (including IFRS 9) in the 2018 financial statements were satisfactory and we determined that the appropriate disclosures were made in the financial statements.

Risk description	Our audit response
The acquisition of CSALP (judgements related to the PPA)	
On 1 July 2018, the Company has taken control of the C Series programme of Bombardier by acquiring 50.01% percent Class A ownership units in the C Series Aircraft Limited Partnership (CSALP) entity. The entity is consolidated as of 1 July 2018. Purchase price allocation ("PPA") has been performed by the Company and resulted into €3,8 billion goodwill. Given the significant judgement on key assumptions, such as future cash flows, expected synergies and discount rates, the PPA related to the CSALP transaction is considered to be a key audit matter. Reference is made to Note 6.1 "Acquisitions" of the financial statements.	With respect to the accounting for the CSALP investment, we have, amongst others, read the purchase agreement, examined the accounting considerations, assessed the valuation of the put option on minority interests, the identification and valuation of the assets and liabilities, including any fair value adjustments, assessed and challenged significant valuation assumptions, such as the discount rates and expected synergies. We have included valuation specialists in our team to assist with the audit of the purchase price allocation. We also obtained an audit report for CSALP from its EY auditor for the opening balance at the acquisition date and the results for the six months ended 31 December 2018. We provided detailed instructions to this auditor, covering the significant audit areas, including the relevant risks of material misstatements, and the information required to be reported by the auditor. In addition, we performed site visits to meet local management and the auditor, telephone conferences were held with the auditor and a file review was performed. During the site visits, telephone conferences and the file review, we challenged and reviewed the approach and the audit findings and observations reported to us. We noted the assumptions relating to the PPA of CSALP fell within acceptable ranges and we determined that the appropriate disclosures were made in the financial statements.

Report on other Information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Report of the Board of Directors (we refer to **www.airbus.com** for the board report);
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on Other Legal and Regulatory Requirements

Engagement

We were appointed by the Annual General Meeting of Shareholders as auditor of Airbus SE on 28 April 2016, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited Non-Audit Services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of Responsibilities for the Financial Statements

Responsibilities of the Board of Directors and Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our Responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included amongst others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the Company's entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Audit Committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 13 February 2019

Ernst & Young Accountants LLP

signed by A.A. van Eimeren

Designed & published by LABRADOR INFORMATION DESIGN +33 (0)1 53 06 30 80

Report of the Board of Directors

(Issued as of 13 February 2019)

Dear Shareholders,

This is the Report of the Board of Directors (the "**Board Report**") on the activities of Airbus SE (the "**Company**" and together with its subsidiaries "**Airbus**") during the 2018 financial year, prepared in accordance with Dutch law.

For further information regarding Airbus' business, finances, risk factors and corporate governance, please refer to the Company's website: www.airbus.com

1. General Overview

With consolidated revenues of € 63.7 billion in 2018, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2018, it generated approximately 85% of its total revenues in the civil sector and 15% in the defence sector. As of 31 December 2018, Airbus' active headcount was 133,671 employees.

2. Summary 2018

At the start of the year the Company set itself the following ‘Priorities’ for 2018, which were shared with all employees:

Deliver critical programmes while streamlining the industrial system for greater efficiency and customer care;
Secure EBIT and Free Cash Flow targets that underpin market trust and allow us to invest in the future and **deliver on performance / competitiveness improvement programmes across the business**
Harmonise business management system and embed common quality standards (eg Advanced Product Quality Planning) company-wide and throughout the supply chain to enhance customer satisfaction;
Rapidly deploy through Chief Technology Officer (CTO) / Digital Transformation Officer (DTO) / Quantum best-of-breed proven digital solutions – in particular ‘Digital Design to Manufacturing’, ‘Factory of the Future’, ‘Connected Services & Reliable Fleet’ and ‘Efficient Design’; and drive technology development to improve safety and eco-efficiency of our industry;
Support people worldwide to engage in digital transformation, developing the associated skills, collaborative methods and ways of working that favour empowerment, accountability, trust and speed;
Behave with integrity, customer focus, reliability, respect, creativity and teamwork to build an **inclusive, responsible and ethical corporate culture** supported by a world-class compliance system**.**

2018 was another year of progress despite some significant operational challenges. Additionally, the Company it passed a series of key milestones in major programmes and took important decisions to further enhance its business portfolio:

- Commercial aircraft deliveries in 2018 were up for the 16th year in a row, reaching a new Company record of 800 aircraft to 93 customers. Deliveries were more than 11% higher than the previous record of 718 set in 2017.
- The closing of the C Series transaction between Airbus, Bombardier and Investissement Québec, came into effect on July 1, adding the A220 aircraft to the Airbus family. The A220 aircraft are fully optimised for the 100 to 150 seat market and perfectly complement Airbus’ exisiting best-selling A320neo family.
- Deliveries of the most capable and flexible A321neo version to date – the A321LR or “Long Range” – started in 2018 after receiving joint EASA and FAA certification to operate the aircraft with up to three underfloor Additional Centre Tanks (ACTs), including for ETOPS operation.
- The A330neo new-generation family – comprising the A330-900 and A330-800 – reached two significant milestones as the A330-800 made its first flight and deliveries of the larger A330-900 commenced.
- Based on an A330-200 Freighter, the first of five BelugaXL transport aircraft took to the skies with some 600 hours of flight testing over ten months schedule to achieve Type Certification and entry-into-service later in 2019.
- Airbus delivered the first A350-1000 widebody airliner to launch customer Qatar Airways. The aircraft is Airbus’ latest widebody in the twin-aisle category. As with the A350-900, the A350-1000 brings together the very latest in aerodynamics, design and advanced technologies for a 25% step change in operating cost compared to previous generation competitor aircraft.
- The light-twin helicopter H135 has received the type certificate by the Federal Aviation Administration (FAA) for its new Helionix cockpit. The avionics system offers operators increased mission flexibility and safety. Helionix is a family concept with standardised features and is available on the H175, H145 and soon on the H160.
- Airbus Helicopters secured the initial orders for the next-generation H160. The first serial helicopter of this series rolled off the brand new assembly line in Marignane to perform its first flight. The first serial aircraft, which will be delivered to launch customer Babcock in 2020, will join the three prototypes, which have already accumulated over a 1000 flight hours, in the final steps of the flight test campaign.

- Nearly 550 helicopters representing 146 customers are sharing data with Airbus Helicopters with the goal of gaining actionable intelligence that improves operational performance and business results. The connected helicopters include almost every helicopter type in Airbus' range performing a wide variety of missions including emergency medical services (EMS), public services, tourism, training, private and business aviation, oil & gas and search and rescue.
- The European-Japanese BepiColombo mission to Mercury was successfully launched from the spaceport in Kourou (French Guiana) on an Ariane 5 launcher. The satellite built by Airbus for the European Space Agency (ESA) and Japanese Space Agency (JAXA) is now embarking on its long journey of some 8.5 billion kilometres through the inner solar system, reaching our solar system's innermost planet in seven years.
- Airbus and Dassault Aviation decided to join forces for the development and production of Europe's Future Combat Air System (FCAS), which is slated to complement and eventually replace current generation of Eurofighter and Rafale fighter aircraft between 2035 and 2040. The partnership represents a landmark industrial agreement to secure European sovereignty and technological leadership in the military aviation sector for the coming decades.
- The European Space Agency (ESA) has commissioned Airbus for two studies for possible European involvement in the future human base in lunar orbit. Airbus has delivered the first European Service Module (ESM), which is a key element of Orion, NASA's next-generation spacecraft that will transport astronauts beyond low Earth orbit for the first time since the end of the Apollo programme in the 1970s.
- Lockheed Martin and Airbus signed an agreement to jointly explore opportunities to meet the growing demand for aerial refuelling for US defence customers. The companies will seek to provide aerial-refuelling services to address any identified capacity shortfall and to meet requirements for the next generation of tankers capable of operating in the challenging environments of the future battlespace.
- Airbus continued with development activities toward achieving the revised capability roadmap of the A400M. Retrofit activities are progressing in line with the customer agreed plan. The customer Nations are now set to endorse the agreement which will allows them to pursue their domestic approval processes.
- The youth development programme of the Airbus Foundation "Flying Challenge & Little Engineer" reached more than 7,080 young people. The Airbus Foundation Discovery Space digital platform achieved over 50,000 content views and received 900 entries to its first design competition. The Foundation undertook its first A400M mission with the French Centre de Crise to Lombok, where it aided thousands of people who were displaced by multiple earthquakes in the area. The Foundation also carried out its largest ever helicopter mission for the India Red Cross to support its logistics activities in response to the Kerala floods. Additionally the helicopter missions carried out aerial assessments in Guatemala and Indonesia following the respective volcanic eruption and earthquakes.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2018, the Company's issued share capital amounted to € 776,367,881 divided into 776,367,881 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 25.88% of the authorised share capital of € 3 billion comprising three billion shares. The holder of one issued share has one vote and is entitled to profit in proportion to his/her participation in the issued share capital[1].

Modification of share capital or rights attached to shares

The shareholders' meeting has the power to authorise the issuance of shares. The shareholders' meeting may also authorise the Board of Directors, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for: (i) shares issued for consideration other than cash, (ii) shares issued to employees of Airbus and (iii) shares issued pursuant to a previously granted right to subscribe for those shares. For the contractual position as to pre-emption rights, see "- 3.2: Relationship with Principal Shareholders".

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors, for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the articles of association of the Company ("**Articles of Association**") provide that the shareholders' meeting is not authorised to pass any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of € 500 million, per share issuance, and no preferential subscription rights exist in respect thereof (by virtue of Dutch law, or because they have been excluded by the competent corporate body). The same limitation applies if the shareholders' meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights. These limitations in the Articles of Association can only be changed by the shareholders' meeting with a 75% voting majority.

Pursuant to the shareholders' resolutions adopted at the Annual General Meeting ("**AGM**") held on 11 April 2018, the powers to issue shares and to grant rights to subscribe for shares and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. Employee share ownership plans and share-related long-term incentive plans, provided that such powers shall be limited to 0.14% of the Company's authorised share capital, and
2. Funding the Company and any of its subsidiaries, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2019, and shall not extend to issuing shares or granting rights to subscribe for shares if: (i) there is no preferential subscription right (by virtue of Dutch law,

[1] Except for the shares held by the Company itself and subject to certain other exceptions under Dutch law.

or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of € 500 million per share issuance.

At the AGM held on 11 April 2018, the Board of Directors was authorised for a period of 18 months from the date of such AGM to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital and at a price per share not less than the nominal value and not more than the higher of the price of the independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at the meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 11 April 2018, the Board of Directors and the Chief Executive Officer ("**CEO**") were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

Securities granting access to the Company's capital

Except for convertible bonds (See "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Financing Liabilities"), there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the convertible bonds issued as of 31 December 2018 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of the Company's shares issued as of 31 December 2018	776,367,881	99.357%	775,730,957	99.357%
Total number of the Company's shares which may be issued following exercise of the convertible bonds	5,022,990	0.643%	5,022,990	0.643%
Total potential share capital of the Company	781,390,871	100%	780,753,947	100%

(*) The potential dilutive effect on capital and voting rights of the exercise of these convertible bonds may be limited as a result of the Company's share repurchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2018

In the course of 2018, a total number of 1,811,819 new shares were issued, all in the framework of the 2018 Employee Share Ownership Plan ("**ESOP**").

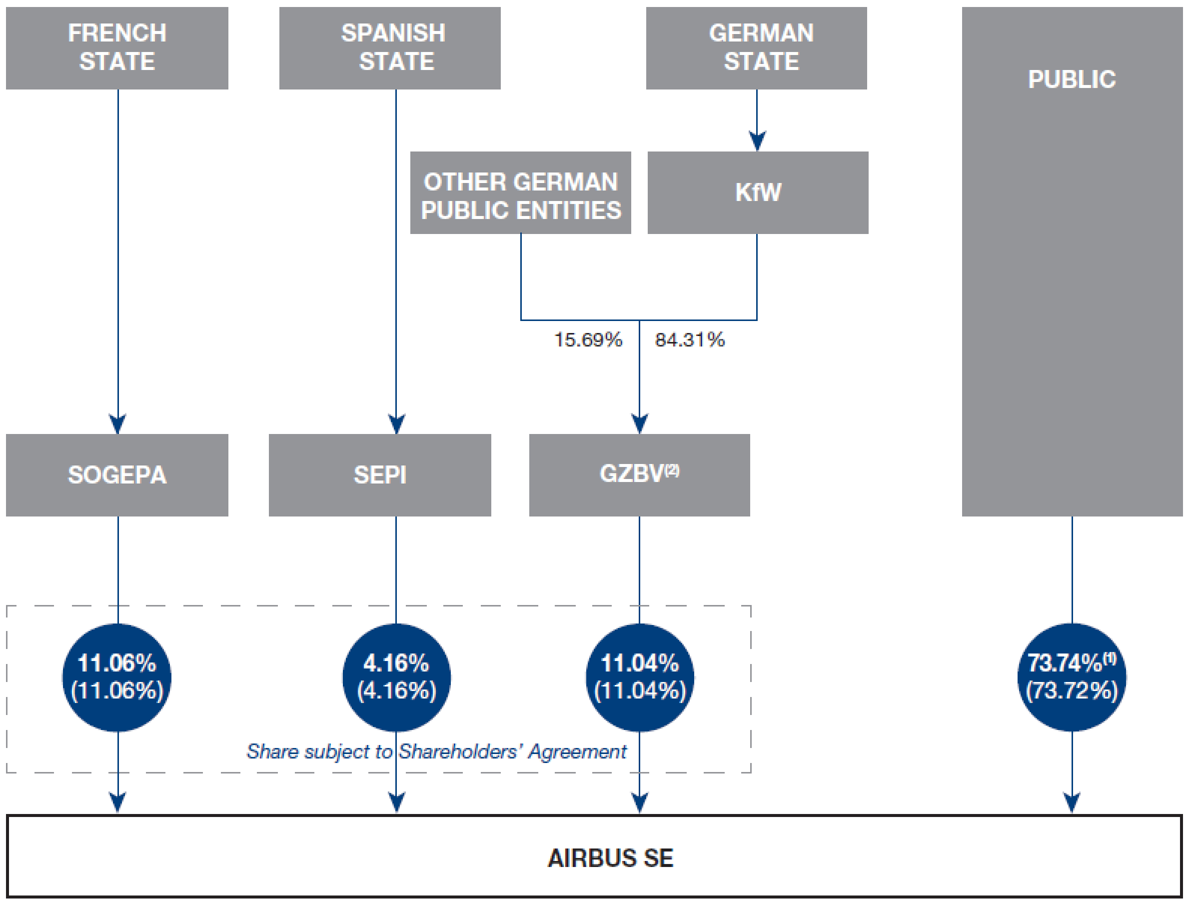
Repurchases and cancellations of shares in 2018

During 2018 (i) the Company repurchased 507,399 shares and (ii) none of the treasury shares were cancelled. As of 31 December 2018, the Company held 636,924 treasury shares.

Shareholding structure at the end of 2018

As of 31 December 2018, the French State held 11.06% of the outstanding Company shares through Société de Gestion de Participations Aéronautiques ("**Sogepa**"), the German State held 11.04% through Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**"), and the Spanish State held 4.16% through Sociedad Estatal de Participaciones Industriales ("**SEPI**"). The public (including Airbus' employees) and the Company held, respectively, 73.66% and 0.08% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2018 (% of capital and of voting rights (in parentheses) before exercise of the convertible bonds).



(1) Including shares held by the Company itself (0.08%).
(2) KfW & other German public entities.

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of (actual or deemed) voting rights, capital interest or gross short position reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the Netherlands Authority for the Financial Markets ("**AFM**") immediately. Additional disclosure and/or publication obligations apply under European regulations for net short positions in respect of the Company.

In 2018, no entities have notified the AFM of a substantial interest in the Company. For further details, please refer to the website of the AFM at: **www.afm.nl**

Right to attend shareholders' meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association, these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders' meeting, can be represented by more than one proxy holder, provided that only one proxy holder can exercise the rights attached to each share.

The persons who have the right to attend and vote at shareholders' meetings are those who are on record in a register designated for that purpose by the Board of Directors on the 28th day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting in accordance with the relevant convening notice.

Shareholders holding their Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France or to any other person designated for this purpose, as specified in the relevant convening notice.

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings in such circumstances and subject to such conditions as determined by the Board of Directors.

Notification Requirements and Mandatory Disposal Threshold Restricting Ownership to 15%

Under the Articles of Association, each shareholder must notify the Company when it (or another party in respect of its interest in the Company) must make a notification to the AFM of a substantial interest or short position with respect to the Company, when its interest (alone or with concert parties) reaches or crosses the Mandatory Disposal Threshold (as defined below) or, subject to certain conditions and exemptions, when changes occur in the composition, nature and/or size of any interest held it or its concert parties in excess of the Mandatory Disposal Threshold (as defined below). Failure to comply with these obligations may, subject to a prior notification by the Company, result in the suspension of voting and attendance rights until the shareholder has complied with its obligations.

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the "**Mandatory Disposal Threshold**"). An interest ("**Interest**") includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone's disposal pursuant to the Dutch Financial Supervision Act, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks after such notification by the Company. Upon receipt of such notification, the voting, attendance and dividend rights attached to the Excess Shares shall be suspended. The same applies to concerts of shareholders and other persons who together hold an interest exceeding the Mandatory Disposal

Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, the voting, attendance and dividend rights attached to all shares held by such shareholder or concert shall be suspended, and their Excess Shares would be transferred to a Dutch law foundation ("*Stichting*"), which can, and eventually must, dispose of them. The suspension of shareholder rights described above shall be lifted once a shareholder or concert complies with its obligations under the Articles of Association.

The Dutch law foundation would issue depositary receipts to the relevant shareholder in return for the Excess Shares transferred to the foundation, which would entitle the relevant shareholder to the economic rights, but not the voting rights attached to such Company shares. The foundation's Articles of Association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- The Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see "- 3.1: Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, inter alia, cover the foundation's expenses and indemnify the Board Members against liability);
- The Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- The foundation has no discretion as to the exercise of voting rights attached to any of the Company's shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- No transfer of a depositary receipt can be made without the prior written approval of the foundation's Board.

For any shareholder or concert, the term "**Excess Shares**", as used above, refers to such number of shares comprised in the interest of such shareholder or concert exceeding the Mandatory Disposal Threshold which is the lesser of: (i) the shares held by such shareholder or concert which represent a percentage of the Company's issued share capital that is equal to the percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold; and (ii) all shares held by such person or concert.

This restriction is included in the Articles of Association to reflect the Company's further normalised governance going forward, aiming at a substantial increase of the free float and to safeguard the interests of the Company and its stakeholders (including all its shareholders), by limiting the possibilities of influence above the level of the Mandatory Disposal Threshold or takeovers other than a public takeover offer resulting in a minimum acceptance of 80% of the share capital referred to below.

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on 2 April 2013 (the "**Exemption Date**"), which is the date of first implementation of the Mandatory Disposal Threshold.

Different grandfathering regimes apply to such shareholders and concerts, depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that: (i) the specific exemption in article 16.1.b of the Articles of Association applies to Sogepa, as it held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in article 16.1.c applies to the concert among Sogepa, GZBV and SEPI, as they held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

Mandatory public offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined under Dutch law summarised below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless they concern amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at the Company's headquarters, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

In 2013, GZBV, a subsidiary of Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, Sogepa and SEPI, entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.2.1 CORPORATE GOVERNANCE ARRANGEMENTS

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company's corporate governance arrangements in the Articles of Association, included: (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (see "- 3.1: Exemptions from Mandatory Disposal Threshold").

3.2.2 SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

The French State, Sogepa, the German State, KfW and GZBV (all parties together the "**Parties**" and each, individually, as a "**Party**") entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1.b of the Articles of Association (such Party holding "**Individual Grandfathering Rights**") shall remain individually grandfathered in accordance with the Articles of Association if the concert with respect to the Company (the "**Concert**") is subsequently terminated (for instance by terminating the Shareholders' Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1.b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding "**Derived Grandfathering Rights**", and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the "**Grandfathering Rights**") shall all no longer be entitled to exercise their Grandfathering Rights in the event:

- The Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
- It or its relevant affiliate(s) exit(s) the Concert,

and such termination or exit is not for good cause and is not based on material and ongoing violations of the Concert arrangements, including, without limitation, of the Shareholders' Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert together with those of its affiliates would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party including its affiliates which were no longer entitled to use their Grandfathering Rights shall from then on revive and Sogepa and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement unless and until it receives: (i) a joint written instruction from Sogepa and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-Concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-Concert Grandfathering Agreement or any such joint instruction or binding advice. Notwithstanding the description under "Various provisions – Jurisdiction" below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-Concert Grandfathering Agreement.

Various provisions

Termination. The post-Concert Grandfathering Agreement terminates only if either the French State and its affiliates or the German State and its affiliates no longer hold shares in the Company.

Governing law. Laws of the Netherlands.

Jurisdiction. The courts of the Netherlands shall have exclusive jurisdiction. This is binding advice for any dispute, controversy or claim arising out of or in connection with the post-Concert Grandfathering Agreement, in accordance with the procedure set forth in the post-Concert Grandfathering Agreement; provided, however, that application to the courts is permitted to resolve any such dispute controversy or claim.

Governance of the Company

Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the "**Shareholders**").

Appointment of the Directors: The Shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the Shareholders shall use their best endeavours so that such person is appointed as a Director. Sogepa and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an independent Director pursuant to the conditions set forth in the rules governing the internal affairs of the Board of Directors (the "**Board Rules**"), and shall vote as Shareholders in any Shareholders' meeting in favour of such appointment and against the appointment of any other person for such position. If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the Shareholders shall exercise their best endeavours so that these persons are appointed as Directors.

Modification of the Articles of Association: Sogepa and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogepa and GZBV agree to vote in favour together of such draft resolution, the Shareholders shall vote against such draft resolution. If Sogepa and GZBV reach a mutual agreement on such draft resolution, the Shareholders shall vote in favour of such draft resolution.

Reserved Matters: With respect to the matters requiring the approval of a Qualified Majority at the Board level ("**Reserved Matters**"), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the Shareholders' meeting of the Company, Sogepa and GZBV shall consult each other with a view to reaching a common position. Should Sogepa and GZBV fail to reach a common position, Sogepa and GZBV shall remain free to exercise on a discretionary basis their votes.

Prior consultation: Sogepa and GZBV shall consult each other on any draft resolution submitted to the Shareholders' meeting other than related to Reserved Matters and the Board Rules.

Balance of interests

The Shareholders agree to pursue their common objective to seek a balance between themselves and their respective interests in the Company as follows:

- To hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;
- To hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties; and
- To hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties.

Mandatory Takeover Threshold

The total aggregate voting rights of the Shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any Shareholder a mandatory takeover obligation (the "**MTO Threshold**"). In the event that the total aggregate voting rights of the Shareholders exceed the MTO Threshold, the Shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

Transfer of Securities

Permitted transfer. Transfer of securities by any Shareholder to one of its affiliates.

Pre-emption right. Pro rata pre-emption rights of the Shareholders in the event any Shareholder intends to transfer any of its securities to a third party directly or on the market.

Call option right. Call option right for the benefit of the Shareholders in the event that the share capital or the voting rights of any Shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

Tag-along right. Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.

Various provisions

Termination. The Shareholders' Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company, or in its or their shareholders.

Governing law. Laws of the Netherlands.

Jurisdiction. Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (the Netherlands).

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the "**French Defence Holding Company**"). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the "**French Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board) nor (ii) have material ongoing professional relationships with Airbus.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State's security (the "**German State Security Agreement**"). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the "**German Defence Holding Company**"). The German State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the supervisory board of the German Defence Holding Company (the "**German Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they are Members of the Board. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company:

- Grants the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- Commits to consult with the French State prior to making any decision at any shareholders' meeting of Dassault Aviation.

As a result of the implementation of Dassault Aviation's capital increase, which took place on 27 June 2018, at the occasion of which 36.782 shares were issued to remunerate the shareholders who opted for a dividend payment through attribution of shares, the Company holds approximately 9.89% of Dassault Aviation's share capital and 6.15% of its voting rights. In case of exchange in full of the bonds issued by the Company which are due in 2021, the Company will no longer hold any Dassault Aviation shares or voting rights."

Stock Exchange Listings

The Company has undertaken to the parties to the Shareholders' Agreement that for the duration of the Shareholders' Agreement the Company's shares will remain listed exclusively in France, Germany and Spain.

Specific Rights of the French State

Pursuant to an agreement entered into between the Company and the French State (the "**Ballistic Missiles Agreement**"), the Company has granted to the French State: (a) a veto right and subsequently a call option on the shares of the company performing the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and the company performing the ballistic missiles activity are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

3.3 Share price performance 2018

In 2018, Airbus' share price closed up 1% at € 83.96. Airbus outperformed wider markets and most Defence peers, which declined 13% and 7%, respectively, in the same period.

After opening at € 82.75 in January, Airbus' shares climbed by 26% to € 104.56 during the first half of the year. In early 2018, the share price increase was mainly driven by the Company's strong 2017 delivery performance and solid FY 2017 results. Shares went lower thereafter following engine delivery delays. Shares then rebounded following Q1 2018 results, mainly driven by FY 2018 guidance confirmation despite GTF engine delivery delays. Commercial performance during the Farnborough International Airshow came in ahead of expectations and helped push shares up to € 105.98 in July.

Airbus' shares reached an all-time high of € 111.16 in late July after H1 results confirmed guidance and beat expectations. Airbus' share price remained broadly stable throughout the summer. In September, shares began to decline in line with wider markets as investor sentiment was impacted by global macroeconomic events.

Macroeconomic uncertainty and concerns about shrinking global growth continued to weigh on shares throughout November and December. Airbus' shares were additionally impacted in December by news flow around ongoing compliance investigations.

With an annual increase of 1%, Airbus shares outperformed the Eurostoxx 600 (-13%) and the CAC40 (-11%).

3.4 Dividend policy

In December 2013, Airbus formalised a dividend policy demonstrating a strong commitment to shareholders returns. This policy targets sustainable growth in the dividend within a payout ratio of 30%-40%.

Based on earnings per share (EPS) of € 3.94 and a net income of € 3,054 million, the Board of Directors will propose to the Annual General Meeting the payment to shareholders on 17 April 2019 of a dividend of € 1.65 per share (FY 2017: € 1.50). This value is at the upper end of the dividend policy reflecting our strong 2018 achievements, including the positive evolution of the 2018 underlying performance and our 2018 cash generation. It highlights our confidence in our future financial performance as well as ongoing commitment towards sustained dividend growth and increasing shareholder returns.

The record date should be 16 April 2019. This proposed dividend represents year-on-year dividend per share increase of 10%.

4. Corporate Governance

4.1 Management and Control

4.1.1 COMPOSITION, POWERS AND RULES

Under the Articles of Association, the Board of Directors consists of at most 12 Directors, who each retire at the close of the AGM held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (i.e., 7/12) must be European Union ("**EU**") nationals (including the Chairman of the Board of Directors) and a majority of such majority (i.e., 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 non-Executive Directors. While the Board of Directors appoints the CEO, the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine of the non-Executive Directors must be "Independent Directors" (including the Chairman of the Board of Directors).

Under the Board Rules, an "Independent Director" is a non-Executive Director who is independent within the meaning of the Dutch Corporate Governance Code (the "**Dutch Code**") and meets additional independence standards. Specifically, where the Dutch Code would determine non-independence, in part, by reference to a Director's relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director's non-independence, in relevant part, by reference to such Director's relationships with shareholders who own at least 5% of the Company. According to the criteria of the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) presently qualify as an "Independent Director".

The Remuneration, Nomination and Governance Committee (the "**RNGC**") of the Board of Directors is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders' meeting of the Company for appointment as Directors by the shareholders' meeting. No shareholder or group of shareholders, or any other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under general Dutch corporate law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders' meeting regarding the renewal or appointment of Directors, are both required to apply the following principles:

- The preference for the best candidate for the position, and
- The preference for gender diversity between equal profiles, and
- The maintenance of appropriate skills mix and geographical experience, and
- The maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located), and

- At least a majority of the Members of the Board of Directors (i.e., 7/12) shall be EU nationals (including the Chairman), and a majority of such majority (i.e., 4/7) shall be both EU nationals and residents.

In accordance with these principles the Board of Directors shall continue to seek greater diversity with respect to gender, age, geography, education, profession and background.

In 2018, three new Members joined the Board of Directors, Mr. Clamadieu, Mr. Chu and Mr. Obermann. Respectively, with an industrial background, expertise in the Asian market and information technology and entrepreneurial background, they have the competencies and personal skills to fulfil these positions in line with the Board's expectations and the evolution of the Company's business.

At the end of 2018 more than half of the Members of the Board of Directors were aged 60 or under. The proportion of female representatives is today at 25% against 0% six years ago. The Board composition shows a balanced mix of experience with, for example, five Members having aerospace industry skills, eight having geopolitical or economics skills, five having information or data management skills and five having manufacturing and production skills. More details about the diversity of the Members of the Board of Directors are available in the table shown on page 20 (*Airbus SE Board of Directors until AGM 2019*).

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders' meeting, the undertakings of the Company to the French State, pursuant to the amendment to the French State Security Agreement, and to the German State, pursuant to the German State Security Agreement, in each case as described more fully above. In practice, this means that at all times the Board of Directors needs to have: (i) two Directors who should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (ii) two Directors who should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such a schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors, also taking into account that a Director should at the time of his/her appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors' positions are either renewed or replaced every year for a term of three years. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges, provided that exceptions to these rules may be agreed by the Board if specific circumstances provide an appropriate justification for such exceptions.

Voting and rules

Most Board of Directors' decisions can be made by a simple majority of the votes cast by Directors (a "**Simple Majority**"), but certain decisions must be made by a two-thirds majority (i.e., eight favourable votes) of votes cast by the Directors regardless of whether they are present or represented in respect of the decision (a "**Qualified Majority**"). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not being present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

Powers of the Members of the Board of Directors

The Board Rules specify that in addition to the Board of Directors' responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee and its executive management team, makes decisions with respect to the management of the Company. However, the CEO should not enter into transactions that form part of the key responsibilities of the Board of Directors, unless these transactions have been approved by the Board of Directors.

Matters that require Board of Directors' approval include among others, the following items (by Simple Majority unless otherwise noted):

- Approving any change in the nature and scope of the business of the Company and Airbus;
- Debating and approving the overall strategy and the strategic plan of Airbus;
- Approving the operational business plan of Airbus (the "Business Plan") and the yearly budget of Airbus (the "Yearly Budget"), including the plans for Investment, Research and Development ("R&D"), Employment, Finance and, as far as applicable, major programmes;
- Nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- Approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board on the basis of the recommendation of the RNGC;
- Approving the relocation of the headquarters of the principal companies of Airbus and of the operational headquarters of the Company (Qualified Majority);
- Approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
- Approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
- Approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 800 million (Qualified Majority);
- Approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- Approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- Approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and set out the core principles which each Member of the Board of Directors shall comply with and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of his/her duties and avoiding any and all conflicts of interest.

Airbus SE Board of Directors until AGM 2019

Photo	Board member Age*, Gender, Nationality	Status	Since	Term expires	Primary occupation & Other mandates	Director expertise	Board attendance	Committee attendance Audit	RNGC	ECC
	**Denis RANQUE** 67, M, French	Independent	*2013, last re-election in 2017*	2020	Chairman of the Board of Directors of Airbus SE		10/10			11/11
	**Thomas ENDERS** 60, M, German	Executive	*2012, last re-election in 2016*	2019	Chief Executive Officer of Airbus SE		9/10			
	**Victor CHU** 61, M, Chinese / British	Independent	*2018*	2021	Chairman and CEO of First Eastern Investment Group		6/9 *(from AGM 2018)*	2/3 *(from AGM 2018)*		
	**Jean-Pierre CLAMADIEU** 60, M, French	Independent	*2018*	2021	CEO and member of the Board of Solvay SA (until 1 March 2019) and Chairman of the Board of Engie and member of the Board of AXA SA		8/9 *(from AGM 2018)*		6/7 *(from AGM 2018)*	
	**Ralph D. CROSBY, Jr.** 71, M, American	Independent	*2013, last re-election in 2017*	2020	Member of the Board of Directors of American Electric Power Corp.		9/10	4/5		
	**Lord DRAYSON Paul** 59, M, British	Independent	*2017*	2020	Co-Founder and Chairman of Drayson Technologies Ltd and Co-Founder and CEO of Sensyne Health PLC		8/10		8/9	7/8 *(from AGM 2018)*
	**Catherine GUILLOUARD**** 54, F, French	Independent	*2016, re-election in 2019*	2022	Chairwoman and Chief Executive Officer of RATP and member of the Board of Engie		10/10	5/5		11/11
	**Hermann-Josef LAMBERTI** 63, M, German	Independent	*2007, last re-election in 2017*	2020	Member of the Supervisory Board of ING Group N.V.		8/10	4/5		10/11
	**Amparo MORALEDA** 54, F, Spanish	Independent	*2015, last re-election in 2018*	2021	Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC		9/10		9/9	10/11
	**Claudia NEMAT**** 50, F, German	Independent	*2016, re-election in 2019*	2022	Member of the Board of Management of Deutsche Telekom AG		10/10	2/2 *(until AGM 2018)*	5/7 *(from AGM 2018)*	
	**René OBERMANN** 56, M, German	Independent	*2018*	2021	Managing Director of Warburg Pincus Deutschland GmbH and member of the Board of Telenor ASA and Allianz Deutschland AG		8/9 *(from AGM 2018)*	3/3 *(from AGM 2018)*		
	**Carlos TAVARES**** 60, M, Portuguese	Independent	*2016, re-election in 2019*	2022	Chairman of the Managing Board of Peugeot SA and member of the Board of Directors of Total SA		6/10			
	Board and committee meetings in 2018						10	5	9	11
	Average attendance rate in 2018						87%	88%	89%	93%

* *As per AGM 2019 Date.* *Independent* *Executive* *Chair*

** *To be re-elected in 2019.*

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mendelweg 30, 2333 CS Leiden, The Netherlands.

Global Business | Engineering & Technology | Manufacturing & Production | Aerospace Industry | Finance & Audit | Geopolitical Economics | Defence Industry | Information & Data Management | Asia

Replacements of Board Members in the course of 2018

Until AGM 2018			From AGM 2018*		
Name	**Age**	**Status**	**Name**	**Age**	**Status**
Mr. Hans-Peter KEITEL	70	Independent	**Mr. René OBERMANN**	55	Independent
Sir John PARKER	75	Independent	**Mr. Victor CHU**	60	Independent
Mr. Jean-Claude TRICHET	75	Independent	**Mr. Jean-Pierre CLAMADIEU**	59	Independent

* *Further information on the Board members can be found in the above table "Airbus SE Board of Directors until AGM 2019".*

Changes in the composition of the Board Committees in the course of 2018

	Until AGM 2018*		From AGM 2018	
Committee	**Name**	**Status**	**Name**	**Status**
Audit	**Ms. Claudia NEMAT****	Member	**Mr. Victor CHU**	Member
			Mr. René OBERMANN	Member
ECC	**Sir John PARKER**	Member	**Lord Paul DRAYSON**	Member
RNGC	**Sir John PARKER**		**Ms. Amparo MORALEDA**	
	Mr. Hans-Peter KEITEL	Member	**Mr. Jean-Pierre CLAMADIEU**	Member
	Mr. Jean-Claude TRICHET	Member	**Ms. Claudia NEMAT**	Member

* *Further information on the Committee members can be found in the above tables "Airbus SE Board of Directors until AGM 2019" and "Replacements of Board Members in the course of 2018"*

** *Ms. Nemat resigned from the Audit Committee in 2018 and was replaced by Mr. Victor Chu and Mr. René Obermann. The Audit Committee currently consists of 5 members instead of 4.*

Chair

Within the Company, each Member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as Member of one of the Board of Directors' committees. The Board of Directors also believes that a diverse composition among its Members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2018

Board of Directors meetings

The Board of Directors met ten times during 2018 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational activities. The average attendance rate at these meetings was 87%.

Throughout 2018, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes. For Airbus Commercial this comprised inter alia the ramp-up of the A320neo programme and the respective measures taken to mitigate the engine issues hampering the production at Airbus and the operations with the customers, the development of the A330neo and the ramp-up of the A350. For Defence and Space it concerned for the A400M programme the progress on the military capabilities and the retrofit and delivery plan in line with the agreement reached with OCCAR and the states; on the space side the Ariane 6 programme was the subject of a thorough review with regards to progress and the competitive landscape. Turning to the Helicopter business, the review focused on the overall market situation and the preparation of the H160 programme for serial production. Regarding mergers and acquisitions, the most important topic was the closure of the acquisition of a majority stake in the Bombardier C-Series programme which represents an important addition to complement the Airbus product range at the smaller end of the aircraft market.

Last year's off-site Board meeting in September in Beijing focused on the review of the Division and product strategies and the related business developments as well as the overall strategy of Airbus. The Board of Directors seized the opportunity to visit the A320 final assembly line and the A330 completion and delivery centre in Tianjin.

In 2018, the Board of Directors continued to support the Company's digital transformation and to enhance Airbus ability to identify and capitalise on innovative technologies and business models. After thorough preparation, 2018 saw the industrialisation and acceleration of the digital concepts. One of the most advanced is the Skywise project (for further details see "- 6.2: Other Corporate Activities"), a global data platform which can create significant value across the whole aerospace industry. Other projects transforming the engineering and manufacturing landscape are are in progress.

Moreover the Board of Directors reviewed Airbus' financial results and forecasts and, in line with the recommendations of the Audit Committee (as defined in 4.1.3 Board Committees), emphasised the importance of both Enterprise Risk Management ("**ERM**") and a strengthened internal control system.

A substantial share of the Board activities was dedicated to compliance matters. Following a recommendation by the Ethics & Compliance Committee (as defined in 4.1.3 Board Committees), the Board strengthened the Ethics & Compliance organisation by allowing a reinforcement of its resources, so helping to improve Airbus' culture of integrity. The Board also continued to closely monitor the Serious Fraud Office / Parquet National Financier investigations. In addition, the Board received advice from the "Independent Compliance Review Panel", which is composed of renowned international experts, with respect to its compliance activities in order to build a state of the art Ethics & Compliance programme and organisation.

Following the departure of some members of the Executive Committee in early 2018 and the announcement that the current CEO and Chief Financial Officer ("**CFO**") would leave the Company at the next AGM, the Board dedicated a large part of its work in 2018 to the search and nomination of a new generation of leaders to prepare Airbus for the challenges of the next decade. The RNGC has run, for each of the positions to be filled, a thorough process in which internal and external candidates have been identified and assessed. The shortlisted candidates were then proposed to the Board and interviewed by Board Members. Already in the course of 2018, the vacancy for a Chief Technical Officer ("**CTO**") was filled by Grazia Vittadini, who became the first female member of the Executive Committee. By the end of

2018, successors for key positions had been selected and announced – in particular for the CEO, the CFO and the Chief Operating Officer ("**COO**").

Board evaluation 2018

As a matter of principle, the Board of Directors has decided that a formal evaluation of the functioning of the Board of Directors and its Committees with the assistance of a third-party expert is conducted every three years. In the year succeeding the outside evaluation, the Board of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third-party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2018 was the intervening second year of the abovementioned three-year cycle. In October 2018, the Board of Directors therefore performed a self-evaluation based on a questionnaire issued by the General Counsel and circulated to each Board Member.

The questionnaire primarily covered governance and Board agenda, Board and Board Committees functioning, interactions are dynamic amongst Board members and between Board and Management, Board composition and renewal process, Board and Board Committees fees, Board Committees contributions and involvement of Remuneration, Nomination and Governance Committee in succession planning. With respect to the Remuneration policy, the Board Members were provided the opportunity to express their views on their own remuneration.

In the 2018 self-evaluation, the Board Members confirmed overall satisfaction with the progress made in the implementation of the Board's "Improvement Action Plan" recommended by Heidrick & Struggles as its third-party expert, following the formal evaluation conducted in 2017.

The Board Members also confirmed overall satisfaction with the dynamics of the Company's governance and its performance. The outcome of the questionnaire notably highlighted the improved balance of powers and constructive interactions amongst Board Members and between the Board and Management, as well as open debates between the Board Members. The efficient decision-making process of the Board is supported by the adequate preparation of Board meetings, suitable time allocated to agenda items and valuable contributions of the Board Committees.

Following the last Board review, one-to-one sessions between Board Members took place to improve connections between them. Top Management team members have been regularly invited to participate to Board meetings to discuss specific topics; and Board Members expect the frequency of this participation to be improved in 2019.

In addition, the Board has dedicated more time to risk and performance management, succession planning and talent development, as well as to other important matters for which discussions need to be still further enhanced, such as strategy, digital transformation, Responsibility & Sustainability, employee engagement and anticipation of significant potential issues.

Finally, the Board Members expressed their overall satisfaction with regards to the Board composition and renewal process. They highlighted the necessity to continue with the principle of staggering Board appointments in order to further develop its diversity of expertise and gender.

4.1.3 BOARD COMMITTEES

The Audit Committee

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the financial statements, and it monitors the adequacy of Airbus' internal controls, accounting policies and financial reporting. It also oversees the operation of Airbus' Enterprise Risk Management ("**ERM**") system and keeps a strong link to the Ethics & Compliance Committee. For further details in this regard, see " - 4.5: Enterprise Risk Management System". Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The CFO and the Head Accounting Record to Report are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit & Forensic and the Chief Ethics & Compliance Officer are requested to report to the Audit Committee on a regular basis.

In 2018, this Committee met five times with an average attendance rate of 88%. It discussed all of the items described above during the meetings and it fully performed all of the duties described.

The Ethics and Compliance Committee

To reinforce oversight of ethics and compliance matters at the Board of Directors level, a dedicated Ethics and Compliance Committee ("**E&C Committee**" or "**ECC**") was established in 2017 and the Board Rules have been amended accordingly. Pursuant to the Board Rules the main mission of the E&C Committee is to assist the Board in monitoring Airbus' culture and commitment to ethical business and integrity. This committee is empowered to oversee Airbus' ethics and compliance programme, organisation and framework in order to make sure that Airbus ethics and compliance governance is effective (including all associated internal policies, procedures and controls). This includes the areas of money laundering and terrorist financing, fraud, bribery and corruption, trade sanctions and export control, data privacy, procurement and supply chain compliance and anti-competitive practices.

The E&C Committee makes recommendations to the Board of Directors and its Committees on all ethics and compliance-related matters and is responsible for providing to the Audit Committee any necessary disclosures on issues or alleged ethical and compliance breaches that are financial and accounting-related. The E&C Committee maintains a reporting line with the Chief Ethics and Compliance Officer, who is requested to provide periodic reports on its activities.

The Chairman of the Audit Committee and the Chairman of the RNGC are members of the E&C Committee. Unless otherwise decided by the E&C Committee, the CEO is invited to attend the meetings. From time to time, independent external experts and the Independent Compliance Review Panel are also invited to attend E&C Committee meetings.

The E&C Committee is required to meet at least four times a year. In 2018, the E&C Committee met in total 11 times with an average attendance rate of 93%. All of the above described items were discussed during the meetings and the E&C Committee fully performed all the above described duties.

The Remuneration, Nomination and Governance Committee

Pursuant to the Board Rules, besides its role described in section 4.1.1 above, the RNGC consults with the CEO with respect to proposals for the appointment of the members of the Executive Committee, and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning (at Board, Executive Committee and Senior Management levels), remuneration strategies and long-term remuneration plans. Furthermore, the Committee decides on the service contracts and other contractual matters in relation to the Members of the Board of Directors and the Executive Committee. The rules and responsibilities of the RNGC have been set out in the Board Rules.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the RNGC. The Chief Human Resources Officer ("**CHRO**") is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC reviews the Company's top talent, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Executive Committee Members, the Long-Term Incentive Plans ("**LTIP**"), and the variable pay for the previous year.

Finally, the RNGC performs regular evaluations of the Company's corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however, not create any restrictions on the diversity within the Company's executive management team.

The RNGC is required to meet at least four times a year. In 2018, it met nine times with an attendance rate of 89%; it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.4 EXECUTIVE COMMITTEE NOMINATION AND COMPOSITION

The CEO proposes all the Members of the Executive Committee of the Company (the "**Executive Committee**") for approval by the Board of Directors, after consultation with (i) the Chairman of the RNGC and (ii) the Chairman of the Board of Directors, applying the following principles:

- the preference for the best candidate for the position;
- the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least two-thirds of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

Role of CEO and Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus' business and he shall be accountable for its proper execution. For this purpose, the CEO regularly seeks advice from his core executive management team (EMT), which comprises some of the Executive Committee Members, on Airbus-wide topics such as corporate matters or major ongoing projects as well as on business development and performance improvement opportunities.

The Executive Committee further supports the CEO in performing these tasks, ensuring proper alignment of the Company's management beyond the EMT. The Executive Committee Members shall jointly contribute to the overall interests of the Company, in addition to each Member's individual operational or functional responsibility within Airbus. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

The Executive Committee comprises the heads of the Divisions and key functions of the Company. It is dedicated to exchanging and agreeing on important matters such as:

- Appointment by the heads of the Airbus Divisions and functions of their management teams;
- Major investments/divestments;
- Setting up and control of the implementation of the strategy for Airbus' businesses;
- Airbus policy matters and management and organisational the structure of the business;
- Definition of the Company's financial performance and business performance strategy and targets; and
- Business issues, including the operational plan of the Company and its Divisions.

It is also the forum where the information or requests for approval destined for the Board are discussed and approved. The CEO is the only Executive Director within the Board of Directors and represents the Company on the Board. But, depending on the topic, he usually asks the responsible Executive Committee Member to join him at Board meetings to present the financials (CFO), programme/product topics (Division heads), HR matters (CHRO) or any other topic where a specialist is needed. This approach allows the Board Members to get to know the Executive Committee Members and equips them to make judgements when it comes to decisions about key positions.

4.2 Conflict of interest

Conflict of interest

The Company has a conflict of interest policy, which sets out that any potential or actual conflict of interest between the Company and any Member of the Board of Directors shall be disclosed and, where possible, avoided (please refer to the "Board Rules (Annex D – Article 8: Conflicts of interest)"). This policy is available on the Company's website: www.airbus.com (Company / Corporate Governance / Governance Framework and Documents), as is the related best practice provision 2.7 of the Dutch Code (as such term is defined in section 4.3 "Dutch Corporate Governance Code" below), which the Company complied with during 2018. Pursuant to the Articles of Association and the Board Rules, a conflicted Member of the Board of Directors should abstain from participating in the deliberation and decision-making process relating to the matters concerned. The Board of Directors must approve any decision to enter a transaction where a Director has conflicts of interest that are material to the Company or the individual Director.

In 2018, no transactions were reported. There were, however, related-party transactions: for an overview, please refer to "Notes to the IFRS Consolidated Financial Statements – Note 8: Related Party Transactions".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies nearly all of the current recommendations of the Dutch Code, it must, in accordance with the "comply or explain" principle, provide the explanations below.

On 8 December 2016, the Dutch Code was revised; its updated recommendations apply to financial years starting on or after 1 January 2017. Airbus welcomed the updates to the Dutch Code and continues supporting the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture.

For the full text of the Dutch Code, please refer to: **www.commissiecorporategovernance.nl**.

For the financial year 2018, and in respect of compliance with the Dutch Code, the Company states the following:

1. Vice-Chairmanship

Provision 2.3.6 (ii) of the Dutch Code recommends the election of a vice-chairman, to, among other things, deal with the situation when vacancies occur.

The Board of Directors is headed by the Chairman of the Board of Directors and no vice-chairman has been appointed. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. In Airbus' view there is no need for the appointment of a vice-chairman to deal with such situations or other circumstances.

2. Termination indemnity

Provision 3.2.3 of the Dutch Code recommends that the maximum remuneration in the event of dismissal of an Executive Board Member be one year's salary. Under this provision of the Dutch Code, severance pay should not be awarded if the Board membership is terminated early at the initiative of the Executive Board Member, or in the event of seriously culpable or negligent behaviour on the part of the Executive Board Member.

The Company foresees a termination indemnity for the sole Executive Board Member, the CEO, equal to one and a half times the annual total target salary (Base salary and target VR) in the event that the Board of Directors has concluded that the CEO can no longer fulfil his position as a result of change of the Company's strategy or policies, or as a result of a change in control of the Company. The termination indemnity for the current CEO dates from the period he was not yet a member of the Board of Directors and it was decided to maintain this indemnity when the current CEO was appointed as a member of the Board of Directors in order to honour the contractual arrangements between Airbus and the current CEO as they applied at that time.

As from the 2019 AGM and subject to approval of the proposed amendments to the remuneration policy described in Section 4.4.3 below, the termination indemnity will be equal to one year salary in line with the recommendation of the Dutch Code above mentioned.

The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors had been fulfilled by the CEO.

3. Securities in the Company as long-term investment

Provision 3.3.3 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment.

The Company does not encourage non-Executive Directors to own shares, but also does not require its non-Executive Directors who hold shares in its share capital to keep such shares as a long-term investment. Although non-Executive Directors are welcome to own shares of the Company, the Company considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or may be a source of bias against objective decisions.

4. Dealings with analysts

Provision 4.2.3 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time, and that after the meetings the presentations shall be posted on the Company's website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

5. Gender diversity

The Company strives to comply with the composition guidelines regarding gender diversity under Dutch law pursuant to which the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and at least 30% men. The proportion of the female representation on the Board of Directors is currently at 25% (against 0% six years ago). The Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1 above. In addition, the Company will continue to give due consideration to any applicable gender targets in its search to find suitable candidates and to actively seek female candidates. However, the Company believes that candidates should not be recruited based on gender alone; the capabilities and skills of potential candidates are most important in this respect.

Furthermore, the Company is committed to supporting, valuing and leveraging the value of diversity. That being said, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being "the right person for the job". Although the Company has not set specific targets with respect to particular elements of diversity, except for the principles described in 4.1.1 - "Composition, powers and rules" and those targets which apply by law, the Company is committed to seeking broad diversity in the composition of the Board of Directors and its Executive Committee and will consider attributes such as personal background, age, gender, experience, capabilities and skills when evaluating new candidates in the best interests of the Company and its stakeholders.

The Company believes that the composition of its Board of Directors and its Executive Committee is consistent with these diversity objectives.

For information on the operation of the Shareholders' Meeting, its key powers, the shareholders' rights and how such powers and rights can be exercised, see " - 3.1: Shareholding and voting rights – right to attend Shareholders' Meetings".

For information on the composition and operation of the Board of Directors and its respective committees, see " - 4.1.1: Composition, power and rules", " - 4.1.2: Operation of the Board of Directors in 2017", and " - 4.1.3: Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, see " - 3.1: Shareholding and voting rights – Shareholding structure at the end of 2018", " – 3.2: Relationships with Principal Shareholders", " - 4.1.1: Composition, powers and rules", " -3.1: Shareholding and voting rights – Amendments to the Articles of Association" and " - 3.1: Shareholding and voting rights – Modifications of share capital or rights attached to shares".

4.4 Remuneration Report

4.4.1 INTRODUCTION

The **RNGC** is pleased to present the 2018 Remuneration Report.

The report comprises the following sections:

4.4.2 presents the Company's Remuneration Policy;

4.4.3 presents the amendments to the Remuneration Policy that will be proposed for adoption by the shareholders at the AGM to be held in 2019. The application of the Remuneration Policy in 2018 (see "- 4.4.4: Implementation of the Remuneration Policy: CEO" and "- 4.4.5: Implementation of the Remuneration Policy in 2018: Non-Executives") will be included as a separate agenda item for discussion at the AGM to be held in 2019.

4.4.4 illustrates how the Remuneration Policy was applied in 2018 in respect of the CEO, the only Executive Member of the Board of Directors (the cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration");

4.4.5 illustrates how the Remuneration Policy was applied in respect of the Non-Executive Members of the Board of Directors;

4.4.6 miscellaneous.

For departure terms and conditions of the current CEO see section 4.4.4.

In respect of the remuneration of the future CEO, subject to his appointment as Executive Board Member, see Section 4.4.2. A, Section 4.4.3. and Section 4.4.4 for Base Salary allocation.

4.4.2 REMUNERATION POLICY

The Remuneration Policy covers all Members of the Board of Directors: the CEO (who is the only Executive Director) and the other Members of the Board (who are the Non-Executive Directors).

It should be noted that although the policy relating to Executives' remuneration only refers to the CEO, these principles are also applied to the other Members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives across Airbus. Upon proposal by the CEO, the RNGC analyses and recommends, and the Board of Directors decides, the remuneration of the Members of the Executive Committee.

A — Executive Remuneration – Applicable to the CEO

Except with respect to the amendments proposed in Section 4.4.3. "Proposed amendments to the remuneration policy", related to contracts and severance provisions, there will be no change in the remuneration policy in connection with the proposed appointment of a future CEO at the 2019 AGM; the policy as presented below will continue to apply.

a) Remuneration Philosophy

The Company's remuneration philosophy aims to provide remuneration that will attract, retain and motivate high-calibre executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders.

The Board of Directors and the RNGC are committed to making sure that the Executive remuneration structure is transparent and comprehensive for all stakeholders, and to ensure that executive rewards are consistent and aligned with the interests of long-term shareholders also taking into consideration salary evolution of employees across the group.

Before setting the targets to be proposed for adoption by the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, including achieving maximum performance thresholds, and how these may affect the level and structure of the Executive remuneration.

b) Total Direct Compensation and Peer group

The CEO's total direct compensation ("Total Direct Compensation") comprises a base salary ("Base Salary"), an annual variable remuneration ("Annual Variable Remuneration" or "VR") and a Long-Term Incentive Plan ("LTIP"). The three elements of the Total Direct Compensation are each intended to comprise one-third of the total, assuming the achievement of performance conditions is 100% of target.

The level of Total Direct Compensation for the CEO (Base Salary, VR and LTIP) is set at the median of an extensive peer group and takes into account the scope of the role of the CEO and the level and structure of executive rewards within Airbus. The benchmark is regularly reviewed by the RNGC and is based on a peer group which comprises:

- Global companies in Airbus' main markets (France, Germany, UK and US); and
- Companies operating in the same industries as Airbus worldwide.

The latest benchmark performed in November 2018 was based on the relevant peer group composed of 76 companies selected from CAC40 in France, DAX 30 in Germany, FTSE 100 in the UK and DJ 30 in the US as well as large European companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group.

The elements of the Total Direct Compensation are described below:

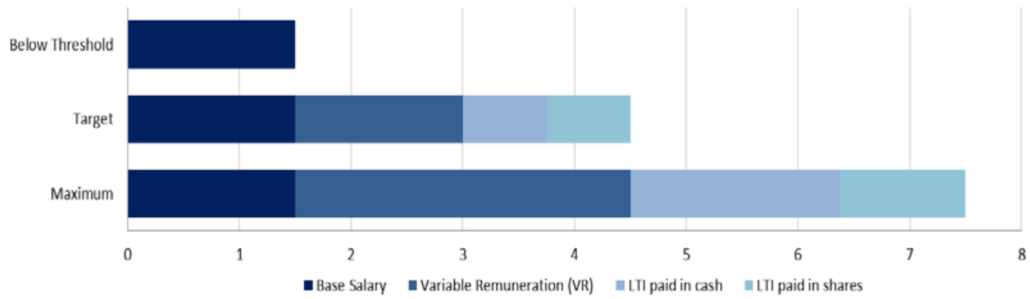
Remuneration Element	Main Drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target).
VR	Rewards annual performance based on achievement of Company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT[2] (45%); Free Cash Flow[3] (45%) and RoCE (10%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
LTIP	Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a 3-year period.	Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. Since 2012, the following caps apply to Performance Units only: - overall pay-out is capped at a maximum of 250% of the original value at the date of grant. - The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

As illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2019. This will apply in the same way to a future CEO. Indeed, the on-target levels of VR and LTIP will each amount to 100% of the CEO's Base Salary.

2 The Company continues to use the term EBIT (Earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

3 Airbus defines the alternative performance measure free cash flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, less (iii) change of securities, (iv) contribution to plan assets for pension schemes, (v) realised treasury swaps and (vi) bank activities ("Free Cash Flow" or "FCF"). It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.

SCENARIOS CURRENT CEO TOTAL DIRECT COMPENSATION



Indications are based on the current CEO's remuneration and are in million euros.
"Below Threshold" includes annual Base Salary; VR at 0%; LTIP not vesting.
"Target" includes Base Salary, VR at target and LTIP grant face value in cash and in shares.
"Maximum" includes Base Salary; maximum VR value (200% of VR at target); maximum LTIP cash grant projected at vesting date (250% of grant value); maximum performance applicable to the number of shares granted (150%). The share price development is unpredictable. The final value of performance shares cannot be capped.

c) Base Salary

The CEO's Base Salary is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration

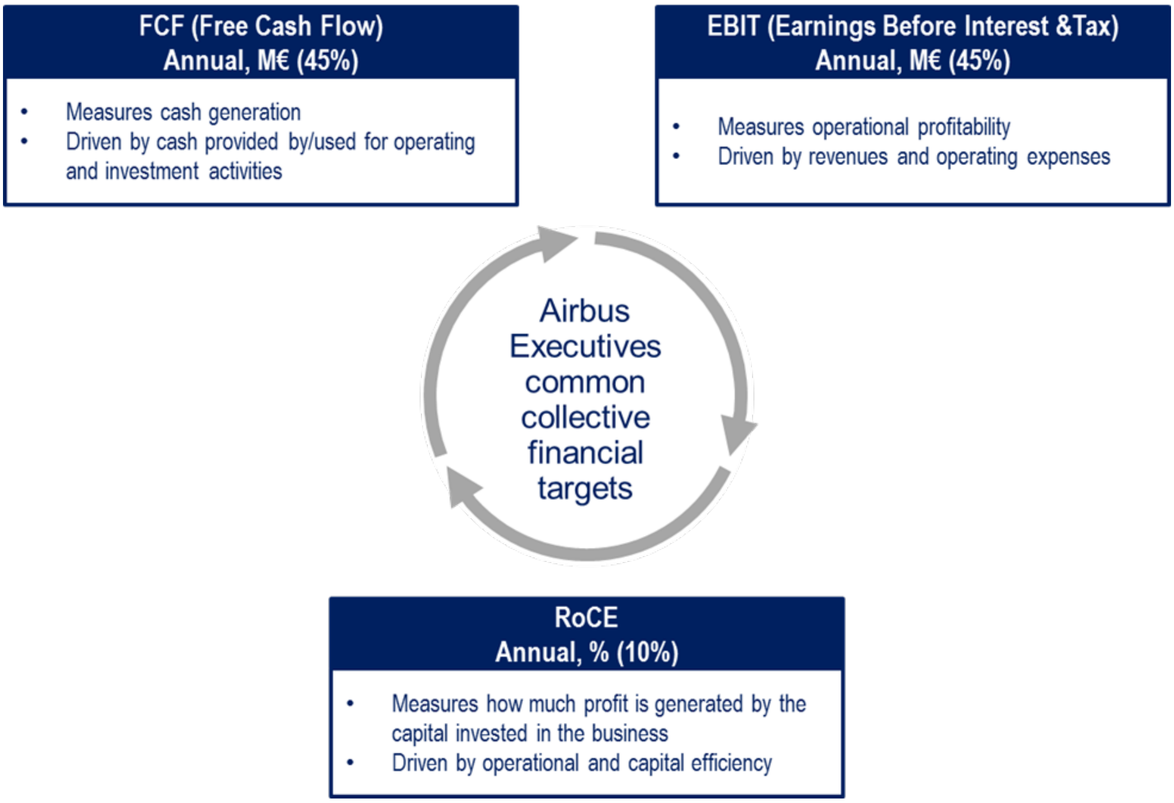
The Variable Remuneration is a cash payment that is paid following the end of each financial year, depending on the achievement of specific and challenging performance targets as determined at the beginning of each financial year. The level of the CEO's Variable Remuneration is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire variable remuneration is at-risk, and therefore if performance targets are not achieved as per the defined objectives agreed by the Board of Directors, no variable remuneration is paid.

The performance measures that are considered when awarding the variable remuneration to the CEO are split equally between common collective performance measures and individual performance measures.

Common Collective Component

The common collective component is based on EBIT (45%), Free Cash Flow (45%) and return on capital employed (RoCE) (10%) objectives ("Common Collectve Component"). At the beginning of each year, the Board of Directors sets the targets for these key value drivers at Company and Division levels. The common collective targets relate closely to internal planning and to guidance given to the capital markets (although there may be variations from these).

To calculate the common collective annual achievement levels, actual EBIT, Free Cash Flow and RoCE performance is compared against the targets that were set for the year. This comparison forms the basis for computing achievement levels, noting that the actual EBIT, Free Cash Flow and RoCE levels are occasionally normalised for a limited number of factors which are outside management control (such as certain foreign exchange impacts or unplanned merger and acquisition activities). The RNGC's intention is to ensure ambitious financial targets and to incentivise the CEO's commitment to meeting these targets.



In order to reinforce the alignment between the Company's strategy, values and remuneration structure, the Company is contemplating including in the Common Collective Component a specific R&S-related performance criterion in the future. The RNGC will seek to ensure alignment of the chosen R&S criteria with the 2018 Company's Priorities that are shared with all employees (See "- Section "2 Summary 2018"), while also making sure that the criteria can be measured.

Individual Component

The individual element ("Individual Component") focuses on Outcomes and Behaviour (a defined below). Individual performance is assessed in these two important dimensions:

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the 2018 Company Priorities;
- **Behaviour** refers to the way results have been achieved, which is also critical for long-term success: how the CEO and the Board of Directors work as a team, how the CEO leads the Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the behaviour assessment relates to ethics, compliance, R&S and quality issues.

e) Long-Term Incentive Plan

There are two types of long-term incentive plans ("Long-Term Incentive Plan" or "LTIP"): until 2015, LTIP was made up of performance units ("Performance Units" or "Units") only. Since 2016, following the approval of amendments by shareholders at the 2016 AGM, the LTIP has been composed of a mix of Performance Units and performance shares ("Performance Shares" or "Shares").

The value of the CEO's LTIP allocation is capped as a percentage of the Base Salary at the date of grant and subject to performance conditions.

The achievement of the performance criteria is assessed over a three-year period based on relevant financial criteria with stringent targets set in advance and agreed by the Board of Directors as demonstrated by past Company practices.

Both Performance Units and Performance Shares that vest can vary between 0% and 150% of the Units and Shares granted, subject to cumulative performance over a three-year period. The level of vesting is subject to the following performance measures:

- 0-50% of the allocation: In principle, this element of the Performance Unit/Share award will not vest if the Company reports negative cumulated **EBIT** results. Nonetheless, in case the Company's EBIT results are impacted by exceptional and unpredictable circumstances, the Board of Directors, upon recommendation of the RNGC, may decide that a maximum portion of 50% of the allocation will vest;
- 50-150% of the allocation: This element of the Performance Unit/Shares vests based on the two following performance criteria: average **earnings per share** (75%) ("Earnings per Share" or "EPS") and cumulative **Free Cash Flow** (25%). Before the 2013 plan, it used to vest according to one performance criteria only: average **Earnings Per Share**.

Earnings per Share Average over 3 years, €	Free Cash Flow Cumulated over 3 years, M€
• Measures profitability • Driven by net income and number of shares	• Measures cash generation • Driven by cash provided by/used for operating and investment activities

For reasons of confidentiality, the precise targets set for the average EPS and cumulative Free Cash Flow, even though they have been properly established in a precise manner, cannot be publicly disclosed as these objectives are in part linked to the Company's strategy. Nonetheless, for the sake of transparency and to ensure compliance with best market practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provided for the previous long-term incentive plans.

The vesting of Performance Units and Shares is subject to the following maximum cap:

- the maximum level of vesting is 150% of the number of Units/Shares granted.

The vesting of Performance Units is subject to the following maximum caps:

- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
- the overall pay-out is capped at 250% of the value at the date of grant.

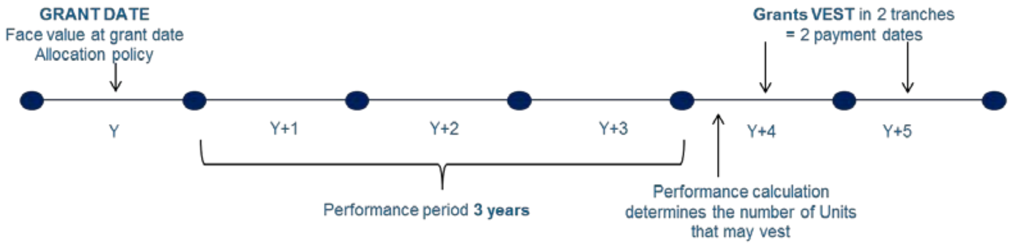
Performance Units plan characteristics (until and including 2015 plan)

Performance Units are the long-term equity-related incentive awards that were granted to the CEO until 2015. LTIP awards were granted each year. Each grant was subject to a three-year cumulative performance objective. At the end of the three-year period, the grant was subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 vested in four tranches, the payment of which took place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed in 2014 and 2015 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.

At the date of grant, the CEO had to decide what portion of the allocation (subject to the performance calculation) was to be released as cash payments and what portion was to be converted into shares. At least 25% (and up to 75%) of the award had to be deferred into shares, and would be released on the last vesting date. For the conversion into shares, one Unit corresponds to one Airbus share.

For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

LTIP-SCHEME 2014 AND 2015



Performance Units & Performance Shares characteristics (since 2016)

Since the 2016 plan, the CEO's LTIP is comprised of a mix of Performance Units and Performance Shares in order to increase the alignment with shareholders' interests.

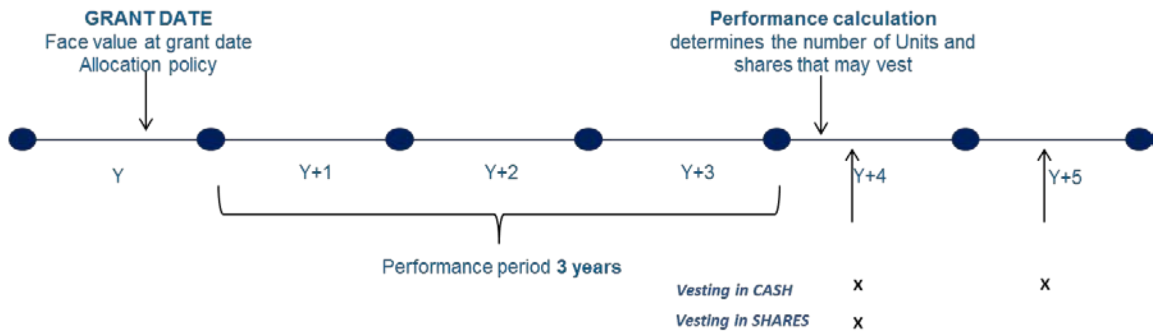
For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

For the CEO, the value of the Performance Unit and Share allocation is capped, at the time of grant, at 100% of the Base Salary.

At the end of the three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest.

Depending on continued employment, Performance Units attributed since 2016 will vest in two tranches, the payment of which takes place approximately 6 and 18 months following the end of the performance period. Performance Shares would vest in one tranche, approximately six months following the end of the performance period.

LTIP-SCHEME SINCE 2016



f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of the Base Salary and to hold them throughout his tenure.

g) Benefits

The benefits offered to the CEO comprise a company car and accident insurance. Travel cost reimbursements are based on the Company travel policy, as applicable to all employees.

h) Retirement

The CEO is entitled to a retirement benefit. The Company's policy is to provide a pension at retirement age that equals 50% of the Base Salary, once the CEO has served on the Executive Committee for five years. This pension can increase gradually to 60% of the Base Salary, for Executives who have served on the Executive Committee for over ten years, and have been employed for at least 12 years.

i) Clawback

Recent changes to Dutch law introduced the possibility for the Company to deduct or claw back part of the CEO's variable cash remuneration (i.e. VR) or equity-related remuneration (excluding the LTIP element settled in cash) served by the Company if certain circumstances arise.

Any revision, claw back, or amounts deducted from the CEO's remuneration will be reported in the notes of the relevant financial statements.

j) Loans

The Company does not provide loans or advances to the CEO.

k) Contracts and Severance

In the case of contract termination, the CEO is currently entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target VR) with respect to applicable local legal requirements if any. This will not apply if the CEO mandate is terminated for cause, in case of dismissal, if he resigns or if the CEO has reached retirement age.

The CEO's contract currently includes a non-compete clause, which applies for a minimum of one year and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation under the non-compete clause is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) with respect to applicable local legal requirements if any and paid in monthly instalments.

Past LTIP awards may be maintained, in such cases as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of past LTIP awards follows the plans' rules and regulations including performance conditions and is not accelerated in any case. LTIP awards are forfeited for executives who leave the Company on their own initiative, but this is subject to review by the Board of Directors.

Proposal of Policy from 2019 AGM onwards applicable to a future CEO

In order to comply with the recommendation of provision 3.2.3 of the Dutch Code relating to the maximum remuneration payable in the event of departure of an Executive Board Member and in line with market practices, the Board confirmed on 13 February 2019 a proposal from the RNGC that the amount of the indemnity to be paid to the CEO in case of contract termination should be reduced to one year's salary. Consequently, the CEO will be entitled to an indemnity equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any. The other terms and conditions applicable to the payment of such indemnity, as per the remuneration policy currently in force, will remain unchanged. In particular such indemnity will not apply if the CEO's mandate is terminated for a specifi cause, in case of dismissal, if he resigns or if the CEO has reached retirement age.

In addition, the Board confirmed on 13 February 2019 the recommendation of the RNGC to limit the non-compete compensation payable to the CEO in case of contract termination to a maximum of one year. The other terms and conditions applicable to the non-compete compensation, as per the remuneration policy currently in force, will remain unchanged. In particular, the compensation will remain equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any.

All other components of the remuneration policy will remain unchanged.

B — Non-Executive Remuneration – Applicable to Non-Executive Members of the Board

The Company's Remuneration Policy with regard to Non-Executive Members of the Board of Directors is aimed at ensuring fair compensation and protecting the independence of the Board's Members.

Fees and Entitlements

Non-Executive Members of the Board are currently entitled to the following:

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board's Committees; and
- an attendance fee for the attendance to Board meetings.

Each of these fees is a fixed amount. Non-Executive Members of the Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company's corporate governance.

The Company does not encourage Non-Executive Directors to purchase Company shares.

Under the current policy and since 2016, the fees have been reviewed to recognise the increase in Board Members' responsibilities, their greater time commitment and Airbus' continuous need to attract and retain highly competent Directors. To incentivise Board attendance, the attendance fees have doubled. Members of the Board are entitled to the following fees:

Fixed fee for membership of the Board (EUR / year):

Chairman of the Board: 210,000

Member of the Board: 80,000

Fixed fee for membership of a Committee (EUR / year):

Chairman of a Committee: 30,000

Member of a Committee: 20,000

Attendance fees (EUR / Board meeting):

Chairman: 15,000

Member: 10,000

Attendance fees shall decrease by 50% in case of an attendance by phone or a Board meeting held by phone.

Committee chairmanship and Committee membership fees are cumulative if the concerned Non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

Proposal of Policy from 1 January 2019 onwards applicable to Non-Executive Directors

In order to ensure continuous commitment of the Members of the Board and Airbus' ability to retain highly competent members, regular reviews of the Board remuneration policy are undertaken by the Company. Following the benchmark performed in 2015, a comprehensive review of the remuneration policy applicable to the Non-Executive Members of the Board was undertaken in 2018.

In September 2018, the independent consultant Willis Towers Watson completed a compensation benchmark for the Non-Executive Directors (incl. the Chairman of the Board) against an extensive peer group.

This analysis encompassed approximately 50 comparable companies in various indices from five countries (France, Germany, Netherlands, Spain and the UK) and other large companies from the aerospace and defence sector (including BAE Systems, Boeing, Dassault Aviation, Honeywell International Inc., Lockheed Martin Corp., Northrop Grumman Corp., Raytheon, Rolls Royce, Safran, Textron, Thales, United Technologies Corp). Financial institutions were excluded from the peer group.

From the analysis, it appeared that the total target remuneration for the non-Executive Board members (i) for membership of the Board of Directors (fixed and attendance fees) and (ii) for membership of a Committee (fixed fee) are positioned within the market spectrum of the Company's peer group.

The remuneration policy for membership of a Committee has been applicable since 2008 and only provides for a fixed fee calculated on the basis of four regular meetings per Committee per year.

However, since 2016, due to exceptional circumstances, the Committees' workload has significantly increased. The current remuneration policy does not take into account directors' attendance to a greater number of Committee meetings when the workload substantially intensifies. Further, the current remuneration policy does not take into account such temporary increased intensity in the workload.

Therefore, in order to allow for a temporary increase in the remuneration of the non-Executive Members of the Board of Directors for their membership of a Committee when the workload increases), the Board approved in October 2018 the recommendation of the RNGC to allocate the following attendance fees per Committee above four Committee meetings per year (whether these meetings are held physically or by phone):

- in case of physical attendance: € 3,000 per additional meeting for Members based in Europe and € 6,000 per additional meeting for Members based outside Europe,
- in case of attendance by phone (whether the meeting is held physically or by phone): € 1,500 per additional meeting.

Such attendance fee will be identical for both the Chair and Members of a Committee.

As the fixed fees for membership of a Committee will remain unchanged (€ 30,000 for chair and € 20,000 for member), the allocation of an attendance fee per Committee above a certain number of meetings per year will ensure automatic return to the current level of remuneration when exceptional circumstances end and workload decreases.

The contemplated total remuneration for membership of a Committee (based on the average number of additional Committee meetings effectively attended physically or by phone by the Company's directors in 2017 and 2018) will remain within the market spectrum of the Company's peer group (between the median and Q3, as per the findings of the above-mentioned benchmark).

Fixed fee for membership of the Board and attendance fees for attendance of Board meetings will remain unchanged.

Under the new policy, and in greater details, non-Executive Members of the Board would be entitled to the following fees for their membership of a Committee:

The proposal is to add an attendance fee per Committee meeting above four meetings per year (whether these meetings were held physically or by phone). The fixed fee would remain unchanged.

Fixed fee for membership of a Committee (EUR / year):

- Chairman: 30,000
- Member of a Committee: 20,000

Attendance fee for membership of a Committee applicable to chair and members (EUR / additional meeting above four meetings per Committee per year, whether these meetings were held physically or by phone):

- Physical participation: 3,000 if the chair or member is based in Europe and double attendance fee amount, i.e. 6,000 if the chair or member is based outside Europe
- Participation by phone (whether the meeting is held physically or by phone): 1,500

C – Employee Share Ownership Plan (ESOP)

A key element in the Airbus benefits policy is enabling employees to participate in the results of the Company. Since its creation, the Company has developed a philosophy based on sharing the added value created by the Company with all employees (including the CEO). Therefore, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

According to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors at the 2018 AGM. Such powers include the approval of the ESOP.

The Company intends to implement an ESOP in 2019, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). With the 2019 ESOP, the Company aims to offer shares to eligible employees through the issuance of shares or free distribution of shares or other existing or new securities giving access to the capital as a matching contribution. This plan aims to promote the development of employee shareholdings.

4.4.3 PROPOSED AMENDMENTS OF THE REMUNERATION POLICY

At the 2019 AGM, the Board of Directors is proposing that shareholders adopt the following amendments to the Airbus Remuneration Policy:

Proposal of Policy from AGM 2019 onwards applicable to a future CEO:

In order to comply with the Dutch Code and in line with market practices, the Board proposes, as described in details above, that the termination indemnity will be equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any, and that the non-compete clause will apply for a maximum of one year.

The other terms and conditions applicable to the termination indemnity and the non-compete compensation as per the remuneration policy currently in force will remain unchanged. In particular the termination indemnity will not apply if the CEO's mandate is terminated for a specific cause, in case of dismissal, if he resigns or if the CEO has reached retirement age and the non-compete compensation will remain equal to 50 % of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid).

Proposal of Policy from 1 January 2019 onwards applicable to non executive directors:

In order to ensure continuous commitment of the Members of the Board and Airbus' ability to retain highly competent members, the Company regularly reviews Board remuneration policy.

As described in detail above, in order to increase the remuneration of Non-Executive Directors who are Members of a Committee when the workload of that Committee increases, the Company proposes to allocate an attendance fee per Committee if and when such Committee would have more than four Committee meetings per year (whether these meetings are held physically or by phone).

Such an attendance fee is identical for chair and membership but differs depending on whether attendance of the meeting is physical or by phone and, in case of physical attendance, where the Committee Members are based.

As the fixed fees for membership of a Committee remain unchanged, the proposed amendment will ensure the automatic return to the current level of remuneration when workload decreases.

While incentivising attendance to the meetings and recognising the key role of the Committees for the Board of Directors, the contemplated total target remuneration (fixed and proposed attendance fees) for membership of a Committee remains within the market spectrum of the Company's peer group, as per the findings of the above-mentioned benchmark.

The other components of the remuneration policy will remain unchanged.

4.4.4 IMPLEMENTATION OF THE REMUNERATION POLICY: CEO

a) Benchmarking

Based on a review the RNGC performed in 2018 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was at the median level of the peer group as defined in Section 4.4.2 A b) above.

b) Base Salary

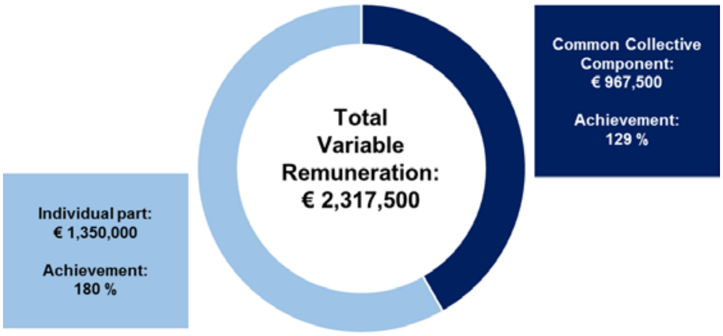
For 2018, the Base Salary of the current CEO remained at € 1,500,000. The CEO's Base Salary level was reviewed in 2015 and approved by shareholders at the 2016 AGM.

The Base Salary of the future CEO is € 1,350,000 on a full year basis. Any increase of the future CEO's Base Salary will also take into consideration salary increases of employees across the group.

c) Annual Variable Remuneration

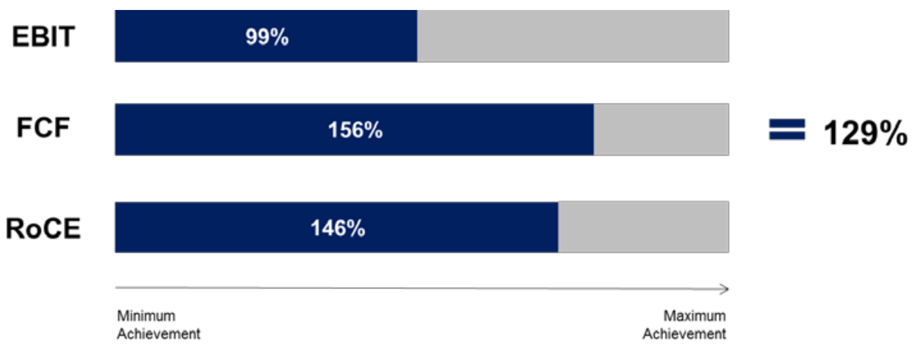
As stipulated in the Company's Remuneration Policy, the CEO's VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of collective and individual performance targets. This applies for both the current and future CEO.

For 2018, the VR of the current CEO amounted to an aggregate € 2,317,500 composed of € 967,500 (129%) for the Common Collective Component and € 1,350,000 (180%) for the Individual Component.



At the end of the financial year 2018, the **Common Collective Component** results from a composite 129% achievement of EBIT (45%), Free Cash Flow (45%) and RoCE (10%) objectives.

PERFORMANCE ACHIEVEMENT - COMMON COLLECTIVE COMPONENT 2018



This achievement mainly reflects a solid **EBIT** and strong **Free Cash Flow** generation against the budgeted targets. The main drivers of that success were the strong operational performance and programme excution in all our businesses, in particular record deliveries in Airbus, healthy pre-delivery payments inflows, on-going efforts to control working capital including payment terms to suppliers and sound CapEx spending.

Finally, **RoCE** was above the target.

Normalisations were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

The **Individual part** results from an excellent achievement level of 180% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the four Airbus priorities agreed at the start of the year (see: Chapter 2 – Summary 2018). For each of these outcomes, leadership, personal performance and contributions were examined.

The factors determining the assessment in 2018 were among other achievements:

- Solid financial figures achieving the envisaged targets.
- Record delivery achievements despite industrial challenges especially on A320. Largest number of deliveries in Airbus history, +11% vs. 2017.
- Good progress in industrial milestones of key development programmes including first deliveries of Airbus A350-1000 and ULR.
- Remarkable successful closing of the acquisition of Bombardier C Series programme (A220 family) complementing the Airbus product portfolio and integration into Airbus organisation as C-SALP.
- Strong sales performance in Airbus Helicopters with book-to-bill above 1 and satisfactory delivery performance with 357 units within a high competitive market.
- Solid result in Airbus Defence and Space, Stabilisation of the A400M programme with good progress on capability development, retrofit campaign and solid contractual rebaselining. Record number of Military Aircraft deliveries and satellite launches. Notable progress on future programs with key decisions on political level for UAS and FCAS.
- Strong key advancement in the Company's further integration through successful closure of the "Gemini" project by merging Airbus and Airbus Group for a leaner and more efficient management, helping to prepare the future of the Company.
- Excellent progress on digital roadmap for product and services offerings with Skywise and internal processes with DDMS.
- Strong progress on innovation and R&T activities, growth in activities of Airbus ventures, establishing of innovation centres with opening of Shenzhen innovation centre. Strongly evolved Airbus role on UAM, exploration of new business models and smart partnering for future trends.
- Strong and very successful steering of management transition with selection, on-boarding and up-skilling of new C-level leaders. Including the new CEO.
- Strong and solid emphasis of ethics and compliance and responsibility & sustainability as key pillars for future developments. High momentum on values journey ensured CEO & leadership team consistently demonstrate values & behaviours and that E&C and R&S are interconnected drivers of culture change.
- Reinforced efforts on diversity in all its forms.

Due to the current CEO's departure in 2019, the VR for 2019 amounts to an aggregate € 416,096 composed of € 208,048 for the Common Collective Component (100%) and € 208,048 for the Individual Component (100%).

d) Long-Term Incentive Plan

Granting 2018 and 2019

Due to the announcement of his departure, the current CEO has been granted neither Performance Units nor Performance Shares for 2018 and 2019.

In 2019, the future CEO will be granted LTIPs in accordance with the applicable policy.

Vesting values in 2018 for the current CEO

In 2018, the CEO received both cash payments and vested shares in connection with the vesting of 2013 and 2014 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to € 1,364,541 in 2018 vs. € 1,372,048 in 2017.
- **Shares:**
  - In connection with the 2013 LTIP award, the CEO had elected that 50% of his grant should be deferred into shares. Therefore, the CEO received 11,360 vested shares (11,192 vested shares in 2017) on the fourth vesting date for LTIP 2013 (5 November 2018).
  - In connection with the 2014 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 2,950 Performance Units for the LTIP 2014 will be released in the form of shares on the second vesting date for the 2014 LTIP (which will take place in 2019).

LTIP overview: granting and vesting

Date of grants	Grant Type	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	Share value at vesting dates(*)
2013	Units	30,300	€ 46.17	€ 1,398,951	Conditional	75%	22,724	4 vestings in 2017 - 2018	1st vesting – 3 May 2017: € 72.12 2nd vesting– 3 November 2017: € 81.92 3rd vesting – 3 May 2018: € 92.34 4th vesting– 5 November 2018: € 92.34
2014	Units	29,500	€ 47.45	€1,399,775	Conditional	80%	23,600	2 vestings in 2018 - 2019	1st vesting – 3 May 2018: € 94.40
2015	Units	24,862	€ 56.31	€1,399,979	Conditional	75%	18,648	2 vestings in 2019 - 2020	Not yet known
2016	Units	14,240	€ 52.67	€ 750,021	Conditional	Not yet known	Not yet known	2 vestings in 2020 - 2021	Not yet known
2016	Shares	14,240	€ 52.67	€ 750,021	Conditional	Not yet known	Not yet known	1 vesting in 2020	Not yet known
2017	Units	10,162	€ 73.81	€ 750,057	Conditional	Not yet known	Not yet known	2 vestings in 2021 - 2022	Not yet known
2017	Shares	10,162	€ 73.81	€ 750,057	Conditional	Not yet known	Not yet known	1 vesting in 2021	Not yet known
	Calculations may involve rounding to the nearest unit.								

* LTIP 2013 and 2014 cap was applied to the share price

* Vesting will occur according to the respective rules and regulations of each plan. There will be noaccelerated vesting due to the current CEO´s departure in 2019.

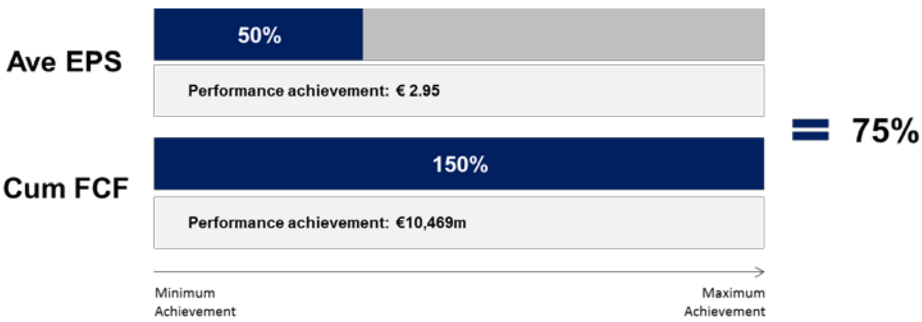
Performance Conditions of LTIP 2015:

- The performance conditions for LTIP 2015 were determined as follows: if Airbus reports negative cumulated EBIT results, the Board of Directors can decide at its sole discretion to review the vesting of the Performance Units, including the 50% portion which is not subject to performance conditions.
- 50% to 150% of the allocation would be granted depending on the compounded achievement of the two following performance criteria:
  - 75% of average EPS (“Ave EPS”): determined on a linear basis depending on three-year Ave EPS for the 2016, 2017 and 2018 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to € 4.02, and
  - 25% of cumulative FCF (“Cum FCF”): determined on a linear basis depending on three-year Cum FCF for the 2016, 2017 and 2018 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to € 8,281m.

Review of Achievement of Performance Conditions:

The Board of Directors on 13 February 2019 noted the achievement of the performance conditions of the 2015 plan, i.e. for the 2016, 2017 and 2018 fiscal years. The three-year Ave EPS was € 2.95 and the three-year Cum FCF was € 10,469m, after normalisation to align them with policies in force when setting the target (notably IFRS 15 and A220 impacts)

LTIP 2015 PERFORMANCE ACHIEVEMENT



Date of grants	KPI	Number of units	Target for a 100% allocation	Achieved	Performance achievement in percentage	Compounded performance achievement in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grant
2013	Ave EPS	30,300	€ 3.64	€ 2.28	50%	75%	22,724	€ 1.15*
	Cum FCF before M&A		€ 2,650m	€ 3,440m	150%			
2014	Ave EPS	29,500	€ 3.31	€ 2.81	56%	80%	23,600	€ 1.51**
	Cum FCF		€ 4,298m	€ 9,741m	150%			
2015	Ave EPS	24,862	€ 4.02	€ 2.95	50%	75%	18,646	€ 2.10***
	Cum FCF		€ 8,281m	€ 10,469m	150%			

* Average EPS of 2012, 2011 and 2010
** Average EPS of 2013, 2012 and 2011
*** Average EPS of 2014, 2013 and 2012

e) Share Ownership

The CEO owned 76,521 Company shares on 31 December 2018, which represents more than 200% of the Base Salary. He herewith respects Airbus' share ownership policy.

Please refer to the AFM website www.afm.nl for any further information related to the transactions of the CEO.

f) Employee Share Ownership Plan (ESOP)

In March 2018, the Company offered all eligible employees the opportunity to subscribe to a share matching plan, through which the Company matches a certain number of directly acquired shares with a grant of matching shares. This ratio varies depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 2018, a dedicated UK tax advantageous Share Incentive Plan ("SIP") was also deployed in March 2018.

Although the CEO was eligible for the plan, he did not participate to the ESOP 2018 plan favouring the development of a shareholding among other employees of the Company.

g) Benefits

As stipulated in the Company's Remuneration Policy, the CEO's benefits comprise a company car and accident insurance. The monetary value of these benefits for 2018 amounted to € 61,144.

h) Retirement

The defined benefit obligation for the current CEO's pension results from the Company's pension policy as described above and takes into account: (i) the seniority of the CEO in the Company and on its Executive Committee and (ii) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system. There has been no change in the pension promise for the CEO in 2018.

The present value of the CEO's pension obligation including deferred compensation is estimated annually by an independent actuarial firm according to the international accounting standard IAS19 as applied by the group for post-employment benefits. As of 31 December 2018, the defined benefit obligation amounts to € 26,303,940 vs. € 21,176,042 at the end of 2017. The change in valuation is due to changes in actuarial assumptions (e.g. mortality table, expected pension increase, retirement age).

For the fiscal year 2018, the current service and interest costs related to the CEO's pension promise represented an expense of € 1,136,706. This obligation has been accrued in the 2018 Consolidated Financial Statements.

i) Clawback

The Board has not applied any clawback in 2018.

j) Pay ratio

The Dutch Corporate Governance Code recommends that the Company provides a ratio comparing the compensation of the CEO and that of a "representative reference group" determined by the Company.

The Airbus pay ratio is calculated by comparing the cash compensation of the CEO with a median full-time permanent employee from France, Germany, UK and Spain for Airbus, excluding subsidiaries.

The aggregate cash compensation over the 2018 fiscal year was used as a reference amount (i.e., excluding the value of equity incentive awards and other non-cash compensation components). To calculate the ratio, the gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums was taken in to account.

The full time equivalent headcount of this target European population was taken into account.

Based on this methodology, the ratio between the cash compensation of the CEO and the median full-time equivalent permanent employee for the fiscal year to which this report relates is 51 (rounded to the nearest integer). Airbus did not analyse the ratios in comparison with the previous financial year, because in 2017 ratios have not been calculated.

k) Contract and severance

With regards to his planned departure and according to the policy, the current CEO is not entitled to any termination indemnity.

The CEO's contract includes a non-compete clause, which will apply for one year. It will be paid in monthly instalments of € 266,854.

Past LTIP awards are maintained. There will be no accelerated vesting.

4.4.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018: NON-EXECUTIVE DIRECTORS

The last review of the Board remuneration was undertaken in 2015. The Board remuneration is in line with market practice, incentivises attendance and recognises the strategic role played by the Board of Directors in Airbus' developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

For personal reasons, and with regards to the implementation of remuneration policy approved at the AGM 2016, Denis Ranque decided in 2016 and onwards to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds € 240,000 (his total target remuneration for 2015, based on six meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account the increased number of Board meetings in 2018, the remuneration of Denis Ranque for 2018 as Chairman of the Board of Directors (Board chairmanship fixum and attendance fees) is € 255,000.

Therefore, the Board recommended that the remuneration exceeding € 255,000 would be converted into an annual contribution to the Airbus Foundation, as long as Denis Ranque waived this part of his remuneration which corresponds to € 67,500 based on the number of Board meetings in 2018.

Summary Table of the 2018 and 2017 fees of all non-Executive Members of the Board (current and former):

(in €)			2018 Fixum(1)	2018 Attendance Fees(2)	2018 Total	2017 Fixum	2017 Attendance Fees	2017 Total
Former Non-Executive Board Members								
Mr	RANQUE	Denis	210,000 €	75,000 €	285,000 €	204,293 €	80,000 €	284,293 €
Mr	CROSBY JR	Ralph	100,000 €	75,000 €	175,000 €	94,420 €	80,000 €	174,420 €
Mr	DRAYSON[3]	Paul	114,475 €	55,000 €	169,475 €	72,100 €	60,000 €	132,100 €
Ms	GUILLOUARD	Catherine	120,000 €	75,000 €	195,000 €	120,000 €	70,000 €	190,000 €
Mr	KEITEL[4]	Hans-Peter	27,900 €	10,000 €	37,900 €	100,000 €	60,000 €	160,000 €
Mr	LAMBERTI	Hermann-Josef	130,000 €	65,000 €	195,000 €	135,707 €	70,000 €	205,707 €
Ms	MORALEDA	Amparo	127,238 €	65,000 €	192,238 €	120,000 €	80,000 €	200,000 €
Ms	NEMAT	Claudia	100,000 €	75,000 €	175,000 €	100,000 €	70,000 €	170,000 €
Sir	PARKER[4]	John	36,270 €	10,000 €	46,270 €	135,707 €	65,000 €	200,707 €
Mr	TAVARES	Carlos	80,000 €	50,000 €	130,000 €	80,000 €	65,000 €	145,000 €
Mr	TRICHET[4]	Jean Claude	27,900 €	10,000 €	37,900 €	100,000 €	80,000 €	180,000 €
Mr	CHU[5]	Victor	72,376 €	50,000 €	122,376 €	0 €	0 €	0 €
Mr	CLAMADIEU[6]	Jean-Pierre	72,376 €	50,000 €	122,376 €	0 €	0 €	0 €
Mr	OBERMANN[5]	René	72,376 €	55,000 €	127,376 €	0 €	0 €	0 €
Former Non-Executive Board Members								
Mr	MITTAL	Lakshmi	0 €	0 €	0 €	28,176 €	10,000 €	38,176 €
TOTAL			**1,290,910 €**	**720,000 €**	**2,010,910 €**	**1,290,403 €**	**790,000 €**	**2,080,403 €**

1) The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the RNGC and/or the E&C Committee. The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017.
(2) The attendance fees related to the first semester 2018 were paid in July 2018, those related to the second semester 2018 were paid in January 2019.
The attendance fees related to the first semester 2017 were paid in July 2017; those related to the second semester 2017 were paid in January 2018.
(3) Member of the E&C Committee as of 11 April 2018.
(4) Not a Member of the Company Board of Directors as of 11 April 2018.
(5) Member of the Company Board of Directors and the AC as of 11 April 2018.
(6) Member of the Company Board of Directors and the RNGC as of 11 April 2018.

4.4.6 MISCELLANEOUS

Policy for Loans and Guarantees Granted

The Company's general policy is not to grant any loan to the Members of the Board of Directors. Unless the law provides otherwise, the Members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The Company has also taken out liability insurance ("**D&O**" – Directors & Officers) for the persons concerned.

4.5 Enterprise Risk Management System

Airbus' long-term development and production lifecycle make Enterprise Risk Management ("**ERM**") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across Divisions at each level of the organisation. It is designed to identify and manage risks and opportunities. A strong focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus.

ERM is an operational process embedded into the day-to-day management activities of Programmes, Operations and Functions. The key risks and their mitigations are reported to the Board of Directors through a reporting synthesis, consolidated on a quarterly basis.

The ERM system is articulated along four axes:

- Anticipation: early risk reduction and attention to emerging risks;
- Speak-up & early warnings;
- Robust risk mitigations; and
- Opportunities.

ERM Process

The objectives and principles for the ERM system, as endorsed by the Board of Directors, are set forth in the Company's ERM Policy and communicated throughout Airbus. The Company's ERM Policy is supplemented by directives, manuals, guidelines, handbooks, etc. External standards which contribute to the Company's ERM system include the standards as defined by the International Organisation for Standardisation ("**ISO**").

The ERM process consists of four elements:

- a strong operational process - derived from ISO 31000 - to enhance operational risk and opportunity management;
- a reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation;
- an ERM compliance process, which comprises procedures to assess the effectiveness of the ERM system; and
- a support process, which includes procedures to maintain and increase the quality of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities that potentially affect the Company's activities, its businesses and its organisation in the short-, mid- and long-term. The ERM process is part of the management process and inter-related with the other processes.

All Airbus organisations, including Divisions, subsidiaries and controlled participations, commit to and confirm the effective implementation of the ERM system. The annual ERM Confirmation Letter issued by each organisation is the formal acknowledgement about the effectiveness of the ERM system.

For the main risks to which Airbus is exposed, see "— Chapter 4.6 (Risk Factors)" of this document.

ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- the Board of Directors with support of the Audit Committee supervises the strategy and business risk and opportunities, as well as design and effectiveness, of the ERM system;
- the CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of ERM, and the ERM system design and process implementation;
- the Head of ERM has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence ("CoC") and pushes for a proactive risk management; and
- the management at executive levels has responsibility for the operation and monitoring of the ERM system in its respective areas of responsibility and for the implementation of appropriate response activities to reduce risks and seize opportunities, considering the recommendations of the internal and external auditors.

ERM Effectiveness

The ERM effectiveness is analysed by:

- ERM centre of competence ("CoC"), based on ERM reports, confirmation letters, *in situ* sessions (e.g. risk reviews), participation to key controls (e.g. major Programme Maturity Gate Reviews); and
- Corporate Audit, based on internal corporate audit reports.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	Explanations
Board of Directors/ Audit Committee	**Regular monitoring** The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. Any material failings in, material changes to, and/or material improvements of the ERM system which are observed, made and/or planned are discussed with the Board and the Audit Committee.
Top Management	**ERM as part of the regular divisional business reviews** Results of the operational risk and opportunity management process, self-assessments and confirmation procedures are presented by the Divisions or other Airbus' organisations to top management.
Management	**ERM confirmation letter procedure** Entities and department heads that participate in the annual ERM compliance procedures must sign ERM Confirmation Letters.
ERM CoC	**ERM effectiveness measurement** Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, *in situ* sessions (risk reviews etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews).
Corporate Audit	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	**Alert System** Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

Board Declaration

Based on the Company's current state of affairs, the reports made directly available to the Board of Directors, coming from different processes, audits and controls and the information it received from management, the Board of Directors believes to the best of its knowledge that:

- the internal risk management and control system provides reasonable assurance that the financial reporting does not contain any material inaccuracies;
- this report provides sufficient insight into any material failings in the effectiveness of the internal risk management and control systems;
- it is justified that the financial statements have been prepared on a going concern basis; and
- this report states the material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

It should be noted that no matter how well designed, the internal risk management and control system has inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's internal risk management and system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operations or financial condition of the Company could be materially adversely affected by the risks described below. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair its business and operations.

Although a certain degree of risk is inherent in the Company's business (as described in the risk factors mentioned in this section), the Company endeavours to minimise risk to the extent reasonably possible. To achieve its strategy, the Company is prepared to take modest or low event risks to provide sufficient predictability on profitability and cash flow given the necessity to stay competitive, invest in R&D and manage the diversified portfolio of business in a world of uncertain market and economic conditions. Due to the importance of programmes and operations for the Company, a particular focus is put on the operational dimension of risk identification and management. Within the area of legal and compliance risks, the Company seeks to ensure that its business practices conform to applicable laws, regulations and ethical business principles, while developing a culture of integrity. Regarding financial risks, our risk approach can be qualified as prudent and the Company aims to minimise the downside risk through appropriate liquidity buffer, the use of hedging derivatives and other insurance products.

4.6.1 FINANCIAL MARKET RISKS

Global Economic Concerns

As a global company, the Company's operations and performance depend significantly on market and economic conditions in Europe, the US, Asia and the rest of the world. Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including the impact of Brexit, discussed below, US policy and elections in Europe). Any such disruption or downturn could affect the Company's activities for short or extended periods and have a negative effect on the Company's financial condition and results of operations.

On 29 March 2017, the UK triggered Article 50 of the Lisbon Treaty, the mechanism to leave the European Union ("Brexit"), before having achieved a roadmap for the complex negotiations. The negotiation period ends on 29 March 2019 and if no agreement is ratified by this time, the UK leaves the European Union with effect from this date and is considered as a third country without a privileged relationship with the European Union. Although the terms of the UK's post-Brexit relationship with the EU are still unknown, the Company, its operations and supply chain may be disrupted by this uncertainty and may be affected by potentially divergent national laws and regulations between the EU and the UK. This will in particular include but not limited to:

- Greater restrictions on the import and export of goods and services between the UK and EU countries in which the Company operates along with increased regulatory and legal complexities;
- Changes in customs regime between the UK and the European Union which could result in significant changes at borders and customs controls. An insufficient level of preparedness could also significantly delay the import and export of goods including goods which are transferred between Airbus (and its suppliers') entities in the UK to Airbus (and its suppliers') entities in the EU; and
- Limitations on the free movement of people and skilled labour are also possible.

The administration of US President Donald Trump has introduced greater uncertainty with respect to US tax and trade policies, tariffs and government regulations affecting trade between the US and other countries.

Although the impact of these geopolitical events cannot reasonably be assessed, the consequences could have a negative effect on the Company's financial condition and results of operations.

If economic conditions were to deteriorate, or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency, commodity and equity markets. This could have a number of effects on the Company's business, including:

- requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decisions by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally;
- an increase in the amount of sales financing that the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft;
- variations in public spending for defence, homeland security and space activities;
- financial instability, inability to obtain credit or insolvency on the part of key suppliers and subcontractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges;
- default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company; and
- decreased performance of Airbus' cash investments due to low and partly negative interest rates.

The Company's financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

In the Commercial Aircraft activities, revision clauses in sales contracts and in supplier contracts can be based on different indexes and therefore can evolve differently.

Foreign Currency Exposure

Airbus is exposed to certain price risks such as foreign exchange rate as well as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise Airbus' profitability if not hedged. Airbus intends to generate profits only from its operations and not through speculation on the development of such prices. Airbus uses hedging strategies to manage and minimise the impact of such price fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

The major part of its hedging activities is devoted to foreign exchange risks, as a significant portion of the Company's revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. The Company has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus) are converted into euro or pound sterling.

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant.

Currency exchange rate fluctuations in currencies other than the US dollar in which the Company incurs its principal manufacturing expenses (mainly the euro) may affect the ability of the Company to compete with competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of the Company's products and those of its competitors (e.g., in the defence export market) are priced in US dollars. The Company's ability to compete with competitors may be eroded to the extent that any of the Company's principal currencies appreciates in value against the principal currencies of such competitors.

The Company's consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the euro will therefore have an effect on the euro value of the Company's reported revenues, costs, earnings before interest and taxes ("EBIT"), other financial results, assets, liabilities and equity.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by the Company to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect the Company from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. The

Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurance can be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

In addition, the Company has outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, the Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. Despite the measures taken by the Company to mitigate the risks arising from sales financing activities as discussed above, the Company remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future financial condition and results of operations.

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, Airbus has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

Counterparties for transactions in cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. The Company's credit limit system assigns maximum exposure lines to such counterparties, based on a minimum credit rating threshold as published by Standard & Poor's and Moody's. If neither is present Fitch ratings is used. Besides the credit rating, the limit system also takes into account fundamental counterparty data, as well as sector and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of the Company is reviewed on a regular basis and the respective limits are regularly monitored and updated. The Company also seeks to maintain a certain level of diversification in its portfolio between individual counterparties as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties.

However, there can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's financial condition and results of operations.

Moreover, the progressive implementation of new financial regulations (MiFiD II / MiFIR, CRD4, Bank Restructuring Resolution Directive, etc.) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans". Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company's total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

Tax Exposure

As a multinational group with operations and sales in various jurisdictions, Airbus is subject to a number of different tax laws. It is the Company's objective to adhere to the relevant tax regulations and to ensure tax compliance in each country.

Airbus' policy is to have its economic results taxed in a compliant manner in all countries where it creates value.

The Company's decisions on its structure and on the transactions it enters into are based on its own fair interpretations of applicable tax laws and regulations. The Company aims for certainty on the tax positions it adopts, though in a complex environment with increasing uncertainty, there can be no assurance that the tax authorities will not seek to challenge such interpretations, consequently the Company or its affiliates could become subject to tax claims.

The Company will always act to minimise the risk associated with a tax position, while aiming for tax efficiency as described below. Where tax law is unclear or subject to interpretation, the Company may decide to take a written opinion from an independent third-party tax advisor, detailing the facts, risks and conclusions, so as to support the decision-making process, or to engage with tax authorities to secure alignment on interpretation of tax rules. The level of risk will be deemed to be acceptable where strong technical arguments exist to support the position and where stakeholders have been consulted appropriately according to the value at stake.

In case weaknesses may be identified in tax processes, the Company will act to remediate the issues in a timely manner to ensure continued compliance.

4.6.2 BUSINESS-RELATED RISKS

Commercial Aircraft Market Factors

Historically, order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product ("**GDP**") growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of third party financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), carbon standards and other environmental taxes; and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its financial condition and results of operations.

The commercial helicopter market could also be influenced by a number of factors listed above. The civil & parapublic and oil & gas market softness has led to a postponement of investments in the acquisition of new platforms by offshore helicopter players and a reduction of flight hours. Structural changes of the oil & gas segment are not anticipated at current oil price levels. The uncertainty on the lead time of the market recovery may have an impact on Airbus Helicopters financial results and could lead to cancellations or loss of bookings and services.

Physical Security, Terrorism, Pandemics and Other Catastrophic Events

Past terrorist attacks and the spread of disease (such as the H1N1 flu pandemic or the Ebola epidemic in 2013-2016) have demonstrated that such events may negatively affect public perception of air travel safety, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest or uncertainties may also affect the willingness of the public to travel by air. Furthermore, major aircraft accidents may have a negative effect on the public's or regulators' perception of the safety of a given class of aircraft, a given airline, form of design or air traffic management. As a result of such factors, the aeronautic industry may be confronted with sudden reduced demand for air transportation and be compelled to take costly security and safety measures. The Company may therefore suffer from a decline in demand for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services. Disruptions may be related to threats to infrastructure, personnel security and physical security and may arise from terrorism, drone attacks, natural disasters, damaging weather, and other crises. Any resulting impact on the Company's production, services or information systems could have a significant adverse effect on the Company's operations, financial condition and results of operations as well as on its reputation and on its products and services.

Cyber Security Risks

The Company's extensive information and communications systems are exposed to cyber security risks, which are rapidly changing, and increasing in sophistication and potential impact.

The Company is exposed to a number of different types of potential security risks, arising from actions that may be intentional and hostile, accidental or negligent. Industrial espionage, cyber-attacks including systems sabotage, data breaches (confidential data, personal data and intellectual property), and data corruption and availability (notably ransomware) are the main risks that the Company may face. Risks related to the Company's industrial control systems, manufacturing processes and products are growing, with the increase of interconnectivity and digitalisation, and with a growing gap developing between the defences of older, relatively insecure industrial systems and the capabilities of potential attackers as well as an increasingly competitive landscape in both historical and new businesses of the Company.

All of the above mentioned risks are heightened in the context of greater use of cloud services, increasingly capable adversaries, integration with the extended enterprise, the relatively insecure "internet of things" and the growing use in the Company's IT systems of sophisticated mobile devices. Social engineering is a growing threat, exacerbated by advances in machine learning.

Finally, the Company is exposed to reputational damage from the growing volume of false and malicious information injected to media and social networks.

While the Company continues to make significant efforts to prevent such risks from materialising, making targeted investments will reduce but not eradicate likelihood and impact through strengthening the business cyber resilience.

The materialisation of one or several of such risks could lead to severe damage including but not limited to significant financial loss, need for additional investment, contractual or reputational performance degradation, loss of intellectual property, loss of business data and information, operational business degradation or disruptions, and product or services malfunctions.

Dependence on Key Suppliers and Subcontractors

The Company is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts, assemblies and systems that it needs to manufacture its products.

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations.

In case of supplier non-performance a systematic review and application of contractual liabilities linked to contract execution allows the Company to mitigate its financial exposure due to the supplier non-performance. The Company also implements performance improvement agreements with suppliers to incentivise suppliers to sustainably restore contractual performance levels.

In addition, the Company benefits from its inherent flexibility in production lead times to compensate for a limited non-performance of suppliers, protecting the Company's commitments towards its customers. In certain cases, dual sourcing is utilised to mitigate the risk. However, no absolute assurance can be given that these measures will fully protect the Company from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its financial condition and results of operations.

Changes to the Company's production or development schedules may impact suppliers so that they initiate claims under their respective contracts for financial compensation. However the robust, long-term nature of the contracts and a structured process to manage such claims, limits the Company's exposure. Despite these mitigation measures, this could still result in a negative impact on the financial condition and results of operations of the Company.

As the Company's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest or natural disasters which could interrupt deliveries. Country-based risk assessment (including of applicable laws and regulations) is performed by the Company to monitor such exposures and to ensure that appropriate mitigation plans or fall-back solutions are available for deliveries from suppliers considered to be at risk. Despite these measures, the Company remains exposed to interrupted deliveries from suppliers impacted by such events and/or regulations, which could have a negative effect on the financial condition and results of operations of the Company.

Suppliers (or their sub-tier suppliers) may also experience financial difficulties requiring them to file for bankruptcy protection, which could disrupt the supply of materials and parts to the Company. However, financial health of suppliers is analysed prior to selection to minimise such exposure and then monitored during the contract period to enable the Company to take action to avoid such situations. In exceptional circumstances, the Company may be required to provide financial support to a supplier and therefore face limited credit risk exposure. If insolvency of a supplier does occur, the Company works closely with the appointed administrators to safeguard contractual deliveries from the supplier. Despite these mitigation measures, the bankruptcy of a key supplier could still have a negative effect on the financial condition and results of operations of the Company.

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company is in the process of accelerating its production in order to meet the agreed upon delivery schedules for such new aircraft. The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given the high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of engines and buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, across Airbus and the two Divisions, which carry their own resource demands. Therefore, failures relating to any or all of these factors could lead to missed or delayed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. The associated risks may increase as the Company and its competitors announce further production rate increases. Significant efforts have been made to improve supply chain stability and performance. Specific areas of risk with suppliers of engines and of cabin equipment continue to be carefully managed.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, the design, manufacturing, components and materials utilised can be complex and require substantial integration and coordination along the supply chain. In addition, most of the Company's products must function under demanding operating conditions. Throughout the lifecycle of our products, Airbus performs checks and inspections, which may result in modifications, retrofits or other corrective actions each of which may have an adverse effect on production, operations, in-service performance or financial condition. Even though the Company believes it employs sophisticated design, manufacturing and testing practices, there can be no assurance that the Company's products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of Airbus' contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance — in particular with respect to new development programmes such as the A220, A350-900 and -1000 XWB, A400M, H175 or H160 and to modernisation programmes such as the A320neo and the A330neo. See "— Programme-Specific Risks" below.

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. Moreover, to the extent that a performance issue is considered to have a possible impact on safety, regulators could suspend the authorisation for the affected product or service.

Any significant problems with the development, manufacturing, operation or performance of the Company's products and services could have a significant adverse effect on the Company's financial condition and results of operations as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's financial condition and results of operations. In instances where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

The Company has a geographically diverse backlog. Adverse economic and political conditions as well as downturns in broad economic trends in certain countries or regions may have a negative effect on the Company's financial condition and results of operations generated in those regions.

Availability of Government and Other Sources of Financing

From 1992 to 2004, the EU and the US operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US unilaterally withdrew from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization ("**WTO**"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. Separately, Brazil has initiated WTO proceedings citing Canadian support to the C-Series aircraft. Here too, a negoatiated outcome would be preferable. Domestic proceedings in the United States based on alleged subsidies to the C-Series were dismissed. The terms and conditions of any new agreement, or the final outcome of the formal WTO or other trade law proceedings, may limit access by the Company to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

In prior years, the Company and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, the Company's credit ratings, as well as the possibility that lenders or investors could develop a negative perception of the Company's long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. The Company may therefore not be able to successfully obtain additional outside financing on appropriate terms, or at all, which may limit the Company's future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and Market Access

The markets in which the Company operates are highly competitive. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities or better access to funding than the Company. In addition, some of the Company's largest customers and/or suppliers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers/suppliers marketing their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company's revenues. Further, new players are operating or seeking to operate in the Company's existing markets which may impact the structure and profitability of these markets. In addition, enterprises with different business models could substitute some of the Company's products and services. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues, market share or profit.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although the Company is a multinational company which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.

Major Research and Development Programmes

The business environment in many of the Company's principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Successful development of new programmes also depends on the Company's ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's financial condition and results of operations.

No assurance can be given that the Company will achieve the anticipated level of returns from these programmes and other development projects, which may negatively affect the Company's financial condition and results of operations and competitiveness.

In the context of the post-Brexit relationship between the UK and the EU, there is a risk that the Company might lose access to pooled expertise and knowledge and could face disruptions within its interdependent and extensively integrated research and innovation networks across the UK and the EU countries. The Company may also face lack of certainty with respect to intellectual property rights for existing or new programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the EU.

Digital Transformation, Continuous Improvement and Competitiveness Programmes

In order to improve current operational performance while preparing for the future, in 2017 the Company launched the integration of its headquarters and corporate functions with the largest Division, Airbus Commercial Aircraft, and has initiated a wide-reaching digital transformation programme, Quantum. In parallel, continuous improvement and competitiveness programmes running in all businesses are pursued.

Digital transformation

The Quantum transformation programme was launched to accelerate transformation of end to end operations and to define our future set-up (operations, new services, new business model) driven by customer requirements. In the short to mid-term Quantum will focus on accelerating and industrialising the most promising digitally-enabled performance improvement initiatives permitting a step change. In the longer term, Quantum will redesign end to end digital operations and enable new profitable business model and services for our customers. Quantum is supported by the Digital Transformation Office (DTO) and CTO organisations.

Traditional cost-saving and competitiveness programmes

To improve competitiveness in soft markets, offset costs and achieve profitability targets, among other things, the Company and its Divisions have launched several restructuring, cost saving and competitiveness programmes over the past several years. These include Boost Competitiveness in Commercial Aircraft, Adapt in Helicopters and Compete in Defence and Space.

In addition to the risk of not achieving the anticipated level of cost savings, efficiency gains and other benefits from these programmes, the Company may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated. Restructuring, closures, site divestitures and job reductions may also harm the Company's labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing the programmes above are otherwise higher than anticipated, the Company's financial condition and results of operations may be negatively affected.

Acquisitions, Divestments, Joint Ventures and Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and/or form joint ventures or strategic alliances. Executing acquisitions and divestments can be difficult and costly due to the complexities inherent in integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company intends to acquire or divest can be integrated or carved out successfully, as timely as originally planned or that they will perform well and deliver the expected synergies or cost savings once integrated or separated. In addition, despite the efforts and expenditures of the parties, regulatory, administrative or other contractual conditions can prevent transactions from being finalised. While the Company believes that it has committed sufficient resources and established appropriate and adequate procedures and processes necessary to mitigate these risks, there is no assurance that these transactions will be successfully completed or produce the expected benefits.

Public-Private Partnerships and Private Finance Initiatives

Defence customers may request proposals and grant contracts under schemes known as public-private partnerships ("PPPs") or private finance initiatives ("PFIs"). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek additional customers for unused capacity.

The Company is party to PPP and PFI contracts, for example Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project both with the UK MoD. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the life-time of the project.

There can be no assurances of the extent to which the Company will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. The Company may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

Programme-Specific Risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks (while this list does not purport to be exhaustive, it highlights the current risks believed to be material by management and that could have a significant impact on the Company's financial condition and results of operations):

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: A320neo (new engine option) ramp up including the A321neo ACF (Airbus Cabin Flex); management of the internal and external supply chain pressure as a result of the industrial ramp-up; ensuring maturity and high quality service support for a growing number of operators of A320neo. The main focus will be with the further ramp-up for Airbus and both engine suppliers. For both engine suppliers, challenges are to (i) meet the delivery commitments in line with agreed schedule and ensure sufficient engine availability; (ii) fix in-service maturity issues in line with Airbus and customer expectations and mitigate the associated consequences; (iii) manage engine upgrades and performance. The E2E industrial and delivery process at Airbus is under review and will result in significant process and organisation changes.

A400M programme. In 2018, Airbus continued with development activities toward achieving the technical capabilities, including the achievement of an important development milestone according to schedule. After the signature of a

Declaration of Intent ("DOI") in February 2018, the Company has been working together with OCCAR and concluded the negotiations on the contract amendment. The customer Nations are now set to endorse the agreement to allow pursuing the domestic approval processes before signing the contract amendment.

Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines and on cost reductions as per the revised baseline.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 10: Revenues and Gross Margin".

A350 XWB programme. In connection with the A350 XWB programme, the Company faces the following main challenges: ensuring satisfaction of operators and high quality support to their operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; reducing recurring costs during the ongoing ramp-up; maintaining customisation and ramp-up of Heads of Version; maintaining the development schedule in line with learning curve assumptions beyond the initial ramp up phase of A350-1000 XWB; maintaining attention on engine development; and customer support for new type in service.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: ramp down the yearly production rate in line with demand and further reduce fixed costs and adjust resources to the new delivery level; and manage maturity in service.

A330 programme. In connection with the A330 programme, the main challenge the Company faces is to manage the transition to A330neo. The A330neo development progresses after successful EIS (Entry Into Service). For the engine supplier, the main challenges relate to meeting the delivery commitments and ensuring engine maturity.

A220 programme. In connection with the A220 programme, the main challenges the Company faces are to build commercial momentum, ramp up production and reduce costs.

H225 programme and AS332 L2 fleet. In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway, the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations. Publication of the final AIBN report in July 2018 confirmed the work on incremental improvements on the H225 as part of its ongoing, continuous improvement.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the delivery of the first H175 in VIP configuration in 2016, the delivery of the six first H175 in Public Services intermediate operational configuration in 2018, the Company is working on the maturity plan of the aircraft with the associated industrial ramp-up and on the customer support.

NH90 and Tiger programmes. In connection with the NH90 and Tiger programmes, the Company is delivering according to contracts whilst negotiations for the end of some contracts and some new contract amendments are still ongoing. In connection with multiple fleets entering into service it faces the challenge of assuring support readiness.

H160 programme. In connection with the H160 programme, the main challenge the Company faces is to manage the certification and the production ramp-up. H160 development and supply chain performance and production ramp-up progress after 1,050 flights hours performed by the end of 2018 by prototypes and pre-serial 2 (PS2) move to the flight line.

Border security. In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers.

Negotiations on change requests and schedule re-alignments remain ongoing. Export licenses from Germany to Saudi Arabia are currently suspended.

4.6.3 LEGAL RISKS

Dependence on Joint Ventures and Minority Holdings

The Company generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia; and
- four principal joint ventures: ArianeGroup, ATR, CSALP and MBDA.

The formation of partnerships and alliances with other market players is an integral strategy of the Company, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of the Company's existing joint ventures.

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

In addition, in those holdings in which the Company is a minority partner or shareholder, the Company's access to the entity's books and records, and as a consequence, the Company's knowledge of the entity's operations and results, is generally limited as compared to entities in which the Company is a majority holder or is involved in the day-to-day management.

Product Liability and Warranty Claims

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While the Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

Intellectual Property

The Company relies upon patents, copyright, trademark, confidentiality and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property (IP) rights in its products and services and in its operations. Despite these efforts to protect its IP rights, any of the Company's direct or indirect IP rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect the Company's proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions the Company may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although the Company believes that it lawfully complies with the monopolies inherent in the IP rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, result in financial penalties or prevent it from offering certain products or services which may be subject to such third-party IP rights. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, harm the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further losses.

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export control requirements, notably by the UK, France, Germany and Spain, where the Company carries out its principal activities relating to military products and services as well as by other countries where suppliers are based, notably, the US. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company's products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on the Company's business financial condition and results of operations.

Operating worldwide, the Company must comply with several, sometimes inconsistent, sets of sanctions laws and regulations implemented by national / regional authorities. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions regimes may be set up or the scope of existing ones may be widened, at any time, immediately impacting the Company's activities.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in suspension of the Company's export privileges, or preclude the Company from bidding on certain government contracts (even in the absence of a formal suspension or debarment).

Furthermore, the Company's ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

Anti-Corruption Laws and Regulations

The Company is required to comply with applicable anti-bribery laws and regulations in jurisdictions around the world where it does business. To that end, an anti-corruption programme has been put in place that seeks to ensure adequate identification, assessment, monitoring and mitigation of corruption risks. Despite these efforts, ethical misconduct or non-compliance with applicable laws and regulations by the Company, its employees or any third party acting on its behalf could expose it to liability or have a negative impact on its business.

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK Serious Fraud Office announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the Parquet National Financier ("PNF"), had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. The Company has engaged with the government of the United States relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company has also engaged with the government of the United States concerning potential issues of ITAR Part 130 and related matters.

The Company cannot predict at this time the impact on it as a result of these matters, and accordingly cannot give any assurance that it will not be adversely affected. The Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company's reputation and its business, financial condition and results of operations.

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings. The Company expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company's business, financial condition and results of operations. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company's reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, financial condition and results of operations. See "— Non-Financial Information — 6.1.4(a) Responsible Business — Ethical Business Practices".

4.6.4 ENVIRONMENT, HEALTH & SAFETY RISKS

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. This expenditure includes the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Environmental protection includes costs to prevent, control, eliminate or reduce emissions to the environment, waste management, the content of the Company's products, and reporting and warning obligations. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause the Company to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its financial condition and results of operations.

If the Company fails to comply with health, safety and environmental laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some health, safety and environmental laws can be imposed retrospectively, on a joint and several basis, and, in relation to contaminated sites, without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company's financial condition and results of operations.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers, and those covering substances and preparations, in the jurisdictions in which they operate. Although the Company seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU Regulation known as “REACH”, which addresses the production and use of chemical substances) may force the Company to adapt, redesign, redevelop, recertify and/or eliminate its products from the market. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. Any problems in this respect may also have a significant adverse effect on the reputation of the Company and its products and services.

Despite compliance with all applicable laws and regulations, the Company’s reputation may also be affected by the public perception of environmental impacts of the company’s products in operation (such as the emission of greenhouse gases or noise) and of the local environmental impacts of Airbus and its supply chain industrial operations on local air and water quality.

5. Financial Performance

The Airbus SE IFRS Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards.

5.1 IFRS Consolidated Financial Statements

Please refer to the "Airbus SE – IFRS Consolidated Financial Statements" and the "Notes to the IFRS Consolidated Financial Statements" for the years ended 31 December 2018 and 2017.

IFRS 15 "Revenue from Contracts with Customers"

The Company adopted the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the Company restated the comparative 2017 results included in 2018 Unaudited Condensed IFRS Consolidated Financial Statements. The opening equity was restated as of 1 January 2017.

As a result, as of 31 December 2017 total assets restated amount to € 109,449 million (2017 as reported: € 113,937 million) and total equity restated amounts to € 10,742 million (2017 as reported: € 13,351 million).

The most significant changes result from the following:

- Several performance obligations are identified instead of recognising a single contract margin under IAS 11 (e.g. A400M, NH90 contracts). In some cases, the over time method (e.g. PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, for A350 launch contracts, A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft are recognised at a point in time (e.g. upon delivery of the aircraft to the customer);
- Under IFRS 15, measurement of the revenue takes into account variable consideration constraints in order to achieve high likelihood that a significant reversal of the recognised revenue will not occur in the future. The constraint in assessing revenue at completion for some contracts (A400M) generates a decrease in recognised revenue;
- For the application of the over time method (PoC method), the Company measures its progress towards complete satisfaction of performance obligations based on inputs (i.e. cost incurred) rather than on outputs (i.e. milestones achieved). For the Company's current long-term construction contracts progresses were usually measured based on milestones achieved (e.g. Tiger programme, satellites, orbital infrastructures). Under IFRS 15, the Company measures progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies".

IFRS Consolidated Income Statement

Please refer to the "Airbus SE – IFRS Consolidated Income Statements" for the years ended 31 December 2018 and 2017".

Revenue

Consolidated revenues increased to € 63.7 billion (2017 (restated): € 59.0 billion), mainly reflecting the record commercial aircraft deliveries. At Airbus, a total of 800 commercial aircraft were delivered (2017: 718 aircraft), comprising 20 A220s, 626 A320 Family, 49 A330s, 93 A350s and 12 A380s. Airbus Helicopters delivered 356 units (2017: 409 units) with revenues stable year-on-year on a comparable basis despite the lower deliveries. Higher revenues at Airbus Defence and Space were supported by its Space Systems and Military Aircraft activities.

EBIT and Financial Result

Consolidated EBIT Adjusted – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructuring or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses – totalled € 5,834 million (2017 (restated): € 3,190 million), reflecting the strong operational performance and programme execution across the Company.

Airbus' EBIT Adjusted increased to € 4,808 million (2017 (restated): € 2,383 million) reflecting the higher aircraft deliveries. The strong improvement compared to 2017 is driven by progress on the learning curve and pricing for the A350 as well as the A320neo ramp-up and pricing premium. Currency hedging rates also contributed favourably.

On the A220 programme, the focus remains on commercial momentum, the production ramp-up and cost reduction. A320neo Family deliveries increased to 386 aircraft (2017: 181 aircraft) and represented over 60% of overall A320 Family deliveries during 2018. The first long-range A321LR was delivered in the fourth quarter. Deliveries of the Airbus Cabin Flex version of the A321 are expected to increase in 2019 although the ramp-up will remain challenging. Further upgrades of the Pratt & Whitney GTF engine for the A320neo are due to arrive in 2019. Airbus continues to monitor in-service engine performance. Overall, the A320 programme is on track to reach the monthly targeted production rate of 60 aircraft by mid-2019 with rate 63 targeted in 2021. On the A330neo programme, the first A330-900s were delivered and the smaller A330-800 conducted its maiden flight in the final quarter of 2018. In 2019, A330neo deliveries are due to ramp-up. Airbus is working closely with its A330neo engine partner to deliver on customer commitments.

Following a strategic fleet review, Emirates Airline has decided to reduce its A380 orderbook by 39 aircraft with 14 A380s remaining in the backlog yet to be delivered. As a consequence of this decision, deliveries of the A380 will cease in 2021. The recognition of the onerous contract provision as well as other specific provisions and the remeasurement of the liabilities have led to a negative impact on EBIT of € -463 million and a positive impact on the other financial result of € 177 million.

A350 deliveries increased compared to 2017 and included 14 of the larger A350-1000s. The programme reached rate 10 in the fourth quarter of 2018. The backlog supports this rate going forward, including the latest commercial discussions with Etihad Airways to reduce their A350 order by 42 A350-900, leaving 20 A350-1000 for Etihad in the backlog. Airbus will continue to improve the programme's performance to reach breakeven in 2019 and improve margins beyond this.

Airbus Helicopters' EBIT Adjusted increased to € 380 million (2017 (restated): € 247 million), reflecting higher Super Puma Family deliveries, a favourable mix and solid underlying programme execution.

Airbus Defence and Space's EBIT Adjusted totalled € 935 million (2017 (restated): € 815 million), mainly reflecting solid programme execution.

On the A400M programme, 17 aircraft were delivered during the year (2017: 19 aircraft). Airbus continued with development activities toward achieving the revised capability roadmap. Retrofit activities are progressing in line with the customer agreed plan. The customer Nations are now set to endorse the agreement which will allows them to pursue their domestic approval processes. An update of the contract estimate at completion triggered a net additional charge of € 436 million on the programme. This mainly reflects the outcome of the negotiations and updated estimates on the export scenario, escalation and some cost increases. Risks remain on the development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines, and on cost reductions as per the revised baseline.

Consomidated EBIT (reported) amounted to € 5,048 million (2017 (restated): € 2,665 million), including Adjustments totalling a net € -786 million. These Adjustments comprised:

- The net negative impact of € -463 million related to the A380 programme;
- The net additional charge of € 436 million for the A400M programme;
- A negative € -123 million related to compliance costs;
- A positive € 188 million related to Mergers and Acquisitions, including the sale of Airbus DS Communications, Inc. business in the first quarter;
- A positive € 129 million relating to the dollar pre-delivery payment mismatch and balance sheet revaluation;
- A negative € -85 million related to other costs.

Consolidated net income of € 3,054 million (2017 (restated): € 2,361 million) and earnings per share of € 3.94 (2017 (restated): € 3.05) included a negative impact from the financial result, mainly driven by the evolution of the US dollar and revaluation of financial instruments. The other financial results included the positive adjustment of € 177 million from the A380. The finance result was € -763 million (2017 (restated): € +1,161 million).

Table 1 – EBIT and Revenue by Division

	Revenue			EBIT (reported)		
(In € million)	**2018**	2017	Change	**2018**	2017	Change
Airbus	47,970	43,486	+10%	4,295	2,257	+90%
Airbus Helicopters	5,934	6,335	-6%	366	247	+48%
Airbus Defence and Space	11,063	10,596	+4%	676	462	+46%
Transversal / Eliminations	(1,260)	(1,395)		(289)	(301)	
Total	**63,707**	**59,022**	**+8%**	**5,048**	**2,665**	**+89%**

IFRS Consolidated Statements of Financial Position

Please refer to the “Airbus SE – IFRS Consolidated Statements of Financial Position” at 31 December 2018 and 2017.

Intangible Assets and Property, Plant and Equipment

Intangible assets increased by € +5,097 million to € 16,726 million (2017: € 11,629 million). Intangible assets mainly relate to goodwill of € 13,039 million (2017: € 9,141 million). The increase is primarily due to the acquisition of CSALP.

The annual impairment tests performed in 2018 led to no impairment charge.

Property, plant and equipment increased by € +163 million to € 16,773 million (2017: € 16,610 million), mainly at Airbus Defence and Space (€ +150 million). Property, plant and equipment includes leased assets of € 45 million (2017: € 52 million).

Investments Accounted for under the Equity Method

Investments accounted for under the equity method increased by € +76 million to € 1,693 million (2017 (restated): € 1,617 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2018**	2017
Other investments	2,267	2,441
Other long-term financial assets	1,544	1,763
Total non-current other investments and other long-term financial assets	**3,811**	**4,204**
Current portion of other long-term financial assets	**489**	**529**
Total	**4,300**	**4,733**

Other investments mainly comprise the Company's participations. The significant participations at 31 December 2018 include the remaining investment in Dassault Aviation (Airbus share: 9.89%, 2017: 9.93%) amounting to € 999 million (2017: € 1,071 million).

Other long-term financial assets and the current portion of other long-term financial assets include other loans in the amount of € 1,523 million as of 31 December 2018 (2017: € 1,521 million), and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

Inventories

Inventories of € 31,891 million (2017 (restated): € 29,737 million) increased by € +2,154 million. This is mainly driven by Airbus (€ +2,128 million) reflecting an increase in work in progress associated with the A320 programme ramp-up, including the impact of late engine deliveries.

Contract Assets, Contract Liabilities and Trade Receivables

As of 31 December 2018, contract assets include receivables from revenue recognised on over time contracts in the amount of € 10,380 million (2017: € 11,349 million) and contract liabilities include customer advance payment received in the amount of € 50,281 million (2017: € 47,580 million).

Provisions

	31 December	
(In € million)	**2018**	2017
Provisions for pensions	7,072	8,361
Other provisions (1)	11,817	7,690
Total (1)	**18,888**	**16,051**
thereof non-current portion (1)	*11,571*	*9,779*
thereof current portion (1)	*7,317*	*6,272*

(1) Previous year figures are restated due to the application of IFRS 15.

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles.

Other provisions are presented net of programme losses against inventories and increased due to the inclusion of liabilities related to acquired customer contracts linked to the acquisition of CSALP and due to the A380 net charge recorded in 2018.

A restructuring provision associated with the re-organisation of the Company of € 160 million was recorded at year-end 2016, following the communication of the plan to the employees and the European Works Council in November 2016. The French social plan was agreed between the Company and the works council in June 2017. The German social plan was agreed between the Company and the works councils in September 2017, and the reconciliation of interests were finalised on 21 February 2018.

In Airbus Helicopters, the restructuring plan launched in 2016 was signed by the three representative trade unions and validated by the Work Administration Agency (DIRECCTE) in March 2017.

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities and have agreed a retrofit plan for the implementation of corrective measures. An estimate of the related net future costs has been prepared and is included in other provisions.

Other Financial Assets and Other Financial Liabilities

Other Financial Assets

	31 December	
(In € million)	**2018**	2017
Positive fair values of derivative financial instruments	1,031	2,901
Others	77	79
Total non-current other financial assets	**1,108**	**2,980**
Receivables from related companies	1,082	992
Positive fair values of derivative financial instruments	286	663
Others	443	324
Total current other financial assets	**1,811**	**1,979**
Total	**2,919**	**4,959**

Other Financial Liabilities

	31 December	
(In € million)	**2018**	2017
Liabilities for derivative financial instruments	1,132	1,127
European Governments' refundable advances	4,233	5,537
Others (1)	2,644	40
Total non-current other financial liabilities (1)	**8,009**	**6,704**
Liabilities for derivative financial instruments	1,623	1,144
European Governments' refundable advances	344	364
Liabilities to related companies (1)	175	199
Others	320	343
Total current other financial liabilities (1)	**2,462**	**2,050**
Total (1)	**10,471**	**8,754**

(1) Previous year figures are restated due to the application of IFRS 15.

The total net fair value of derivative financial instruments decreased by € -2,731 million to € -1,438 million (2017: € 1,293 million) as a result of the devaluation of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

As of 31 December 2018, the total hedge portfolio with maturities up to 2024 amounts to US$ 81.9 billion (2017: US$ 88.7 billion) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning. The average US$/€ hedge rate of the US$/€ hedge portfolio until 2024 amounts to 1.24 US$/€ (2017: 1.23 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.40 US$/£ (2017: 1.43 US$/£).

The European Governments' refundable advances decreased by € -1,324 million to € 4,577 million (2017: € 5,901 million), primarily related to the update on the A380 programme.

Other Assets and Other Liabilities

Other Assets

	31 December	
(In € million)	**2018**	2017
Cost to fulfil a contract (1)	777	868
Prepaid expenses (1)	33	15
Others (1)	78	92
Total non-current other assets (1)	**888**	**975**
Value added tax claims	3,255	1,892
Cost to fulfil a contract (1)	464	522
Prepaid expenses (1)	121	146
Others	406	377
Total current other assets (1)	**4,246**	**2,937**
Total (1)	**5,134**	**3,912**

(1) Previous year figures are restated due to the application of IFRS 15.

Other Liabilities

	31 December	
(In € million)	**2018**	2017
Others (1)	460	298
Total non-current other liabilities (1)	**460**	**298**
Tax liabilities (excluding income tax)	2,706	1,397
Others	2,582	2,512
Total current other liabilities (1)	**5,288**	**3,909**
Total (1)	**5,748**	**4,207**

(1) Previous year figures are restated due to the application of IFRS 15.

Total Equity

The Company's shares are exclusively ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares issued and fully paid:

(In number of shares)	**2018**	2017
Issued at 1 January	774,556,062	**772,912,869**
Issued for ESOP	1,811,819	1,643,193
Issued at 31 December	**776,367,881**	**774,556,062**
Treasury shares	(636,924)	(129,525)
Outstanding at 31 December	**775,730,957**	**774,426,537**

Holders of ordinary shares are entitled to dividends and to one vote per share at general meetings of the Company.

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 9,724 million (2017 (restated): € 10,740 million) representing a decrease of € -1,016 million. This is due to a decrease in other comprehensive income of € -2,982 million, principally related to the mark to market revaluation of the hedge portfolio of € -2,249 million, a change in actuarial gains and losses income of € -569 million and a dividend payment of € -1,161 million (€ 1.50 per share), partly compensated by a net income for the period of € 3,054 million.

Non-controlling interests ("NCI") from non-wholly owned subsidiaries decreased to € -5 million as of 31 December 2018 (2017 (restated): € 2 million). These NCI do not have a material interest in the Company's activities and cash flows.

Net Cash

The net cash position provides financial flexibility to fund the Company's operations, to react to business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2018**	2017
Cash and cash equivalents	9,413	12,016
Current securities	2,132	1,627
Non-current securities	10,662	10,944
Gross cash position	**22,207**	**24,587**
Short-term financing liabilities	(1,463)	(2,212)
Long-term financing liabilities	(7,463)	(8,984)
Total	**13,281**	**13,391**

The net cash position on 31 December 2018 was € 13,281 (2017: € 13,390 million), with a gross cash position of € 22,207 million (2017: € 24,587 million).

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2018**	2017
Bank account and petty cash	1,862	3,672
Short-term securities (at fair value through profit and loss)	6,576	6,256
Short-term securities (at fair value through OCI) [(1)]	984	2,085
Others	6	8
Total cash and cash equivalents	**9,428**	**12,021**
Recognised in disposal groups classified as held for sale	15	5
Recognised in cash and cash equivalents	**9,413**	**12,016**

(1) IFRS 9 new classification category (2017: available-for-sale).

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, are recognised in cash equivalents.

Securities

The Company's security portfolio amounts to € 12,794 million and € 12,571 million as of 31 December 2018 and 2017, respectively. The security portfolio contains a non-current portion classified at fair value through OCI of € 10,662 million (2017: € 10,944 million available-for-sale securities), and a current portion of € 2,132 million (2017: € 1,627 million).

Financing Liabilities

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	**Total**
Bonds and commercial papers	0	2,386	4,273	6,659
Liabilities to financial institutions	86	150	117	353
Loans	70	203	26	299
Finance lease liabilities	23	146	161	330
Others	1,284	1	0	1,285
31 December 2018	**1,463**	**2,886**	**4,577**	**8,926**
Bonds and commercial papers	512	1,524	5,027	7,063
Liabilities to financial institutions	290	1,397	325	2,012
Loans	144	200	185	529
Finance lease liabilities	17	139	186	342
Others	1,249	1	0	1,250
31 December 2017	**2,212**	**3,261**	**5,723**	**11,196**

(1) Included in “others” are financing liabilities to joint ventures.

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € -1,521 million to € 7,463 million (2017: € 8,984 million), as a result of early settlement of liabilities to financial institutions with the European Investment Bank (“EIB”).

Short-term financing liabilities decresed by € -749 million to € 1,463 million (2017: € 2,212 million) . The decrease in short-term financing liabilities is mainly related to the settlement of a Euro Medium Term Note (“EMTN”) bond in September 2018.

Free Cash Flow

Consolidated free cash flow before M&A and customer financing was stable at € 2,912 million (2017: € 2,949 million) including the A220 dilution, supported by the earnings performance and record deliveries. Consolidated free cash flow of € 3,505 million (2017: € 3,735 million) included around € 0.5 billion related to M&A activities. The consolidated net cash position on 31 December 2018 was stable at € 13.3 billion (year-end 2017: € 13.4 billion) after the 2017 dividend payment of € 1.2 billion and pension funding of € 2.5 billion, including an additional € 1.3 billion in the fourth quarter. The gross cash position was € 22.2 billion (year-end 2017: € 24.6 billion).

Order Intake and Order Book

Net commercial aircraft orders totalled 747 (2017: 1,109 aircraft), including 40 A350 XWBs, 27 A330s and 135 A220s. Showing the underlying health of the market, the order backlog reached an industry record of 7,577 commercial aircraft at year-end, including 480 A220s. Net helicopter orders increased to 381 units (2017: 335 units) with a book-to-bill ratio above 1 in terms of both value and units. Order intake included 15 H160 and 29 NH90 helicopters. Airbus Defence and Space’s 2018 order intake of around € 8.4 billion included the Eurofighter for Qatar, four A330 MRTT tanker aircraft and two new generation telecommunication satellites.

Consolidated order intake in 2018 totalled € 55.5 billion with the consolidated order book valued at € 460 billion on 31 December 2018 under IFRS 15.

Table 2 – Order Intake and Order Book by Division[1]

	Order Intake (net)			Order Book		
	2018	2017	Change	**2018**	2017	Change
Airbus, in units	**747**	1,109	-33%	**7,577**	7,265	+4%
Airbus, in million	**41,519**	N/A	N/A	**411,659**	N/A	N/A
Airbus Helicopters, in units	**381**	335	+14%	**717**	692	+4%
Airbus Helicopters, in million	**6,339**	N/A	N/A	**14,943**	N/A	N/A
Airbus Defence and Space, in million	**8,441**	N/A	N/A	**35,316**	N/A	N/A

(1) The order intake and order backlog and is measured under IFRS 15. The unit backlog reflects the contractual view. The backlog value now reflects the assessment of recoverability and net transaction price on airframe and engine. The 2017 backlog is not being restated.

5.2 Information on Airbus SE auditors

	Date of first appointment	Expiration of current term of office [1]
Ernst & Young Accountants LLP Boompjes 258 3011 XZ Rotterdam Postbus 488 3000 AL Rotterdam The Netherlands Represented by A.A. van Eimeren	28 April 2016	10 April 2019

1) A resolution will be submitted to the Annual General Meeting of Shareholders in 2019, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2019 financial year.

Ernst & Young Accountants LLP's representative is registered with the NBA (Nederlandse Beroepsorganisatie van Accountants).

6. Non-Financial Information and other Corporate Activities

6.1 Non-Financial Information

6.1.1 AIRBUS APPROACH TO RESPONSIBILITY AND SUSTAINABILITY

Airbus and its main stakeholders

Airbus is an industrial company operating in businesses with long product lifecycles and corresponding returns on investment. There are significant costs and risks in programme development and cyclical markets. These features define the Company and shape its relationships with all stakeholders. For a description of Airbus' business model, see section 1, General Overview.

Airbus is engaged in stakeholder dialogue at various levels of the Company. The responsibility for stakeholder engagement is decentralised at Airbus and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. Airbus often seeks a sectorial approach in order to strengthen the impact.

The Company's main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

- generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability;
- be a provider of choice, offering superior value-for-money products and services to customers;
- engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, Airbus must respond to their expectations about development, people management and values;
- build sustainable relationships with its suppliers based on mutual interest to satisfy its customers to encourage responsible practices. The Company promotes the Supplier Code of Conduct as standards consistent with its own code of conduct, and also develops and implements adequate mechanisms to monitor supplier performance;
- play a key role in society and towards local communities. The Company is committed to responsible business practices in terms of respect for human rights, labour, the environment and anti-corruption. In addition, the Company encourages initiatives that contribute to tackling societal challenges whether through its products and services, skills and resources or via key partnerships.

Materiality Assessment

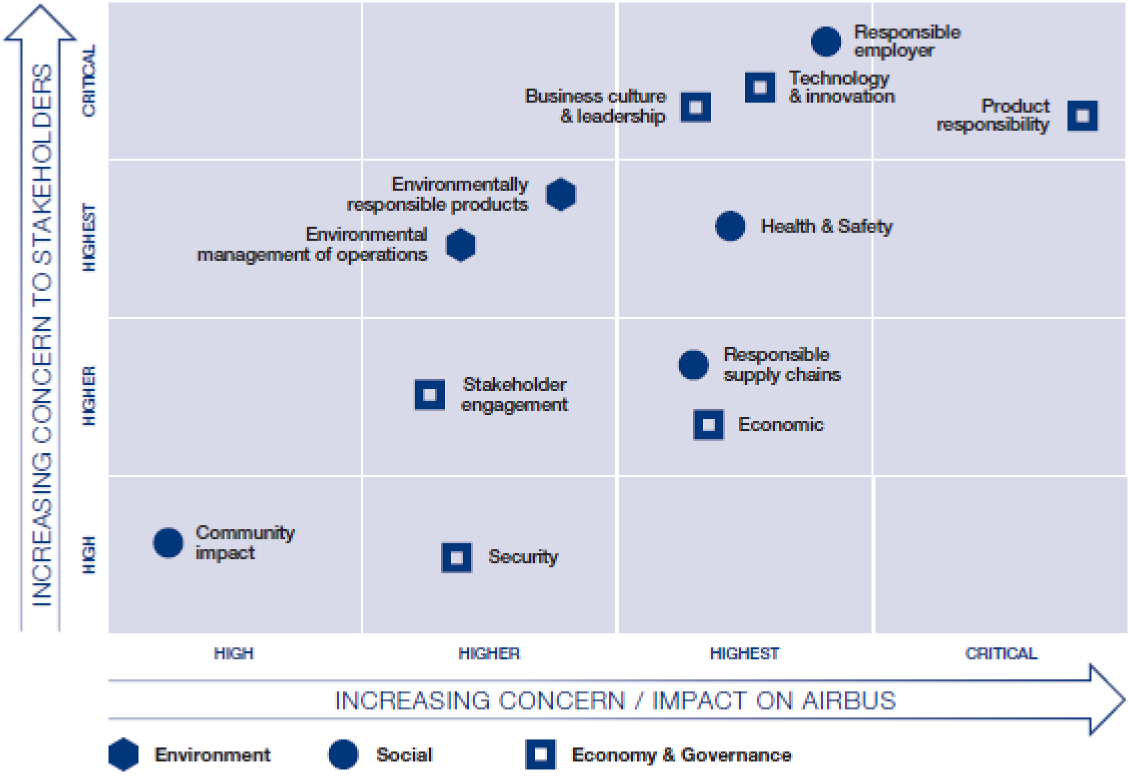
In order to prioritise its responsible and sustainable efforts, Airbus performed a materiality assessment in 2017. Airbus approached a set of stakeholders through qualitative interviews. A list of top issues for the Company was developed, consolidated and ranked by the Company's Responsibility & Sustainability Network. The network gathers a group of experts advising on Airbus' Responsibility & Sustainability ("R&S") strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. It is trans-functional, trans-national and trans-divisional and meets on a regular basis.

You will find these issues covered within the following sections of this chapter:

- Responsible Manufacturer: 6.1.2(a) Product & Aviation Safety ("product responsibility" in the matrix), 6.1.2(b) Research & Technology ("technology and innovation" in the matrix), 6.1.2(c) Environment ("environmentally responsible products" and "environmental management of operations" in the matrix), 6.1.2(d) Responsible Defence and Space products ("security" and "product responsibility" in the matrix);

- Responsible Employer: 6.1.3(a) Airbus' workforce and 6.1.3(b) Human Capital Management, Labour Relations and Human Rights ("responsible employer" in the matrix), 6.1.3(c) Health and Safety (same in the matrix), 6.1.3(d) Inclusion & Diversity ("business culture and leadership" in the matrix);
- Responsible Business: 6.1.4(a) Ethical business practices ("business culture and leadership" in the matrix), 6.1.4(b) Responsible Suppliers ("responsible supply chains" in the matrix), 6.1.4(c) Community Engagement ("community impact" in the matrix).

MATERIALITY MATRIX 2017



UN Sustainable Development Goals

Airbus has been a signatory to the UN Global Compact since 2003 and has reached "Advanced Level".

Airbus adopted the UN Sustainable Development Goals (SDGs) in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, Airbus performed a mapping of its contributions based on the Company's publicly available information which demonstrated that at least eight of the 17 SDG goals are directly relevant to Airbus' businesses and stakeholders' feedback confirmed that Airbus is actively contributing to:

- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action

- SDG 16: Peace, justice and strong institutions
- SDG 17: Partnerships for the goals

Airbus' Responsibility & Sustainability Charter

In 2017, Airbus outlined its commitments in its Responsibility & Sustainability Charter ("the Charter"). The Charter demonstrates how Airbus intends to contribute to the requirements and needs of society and how employees will live Airbus' six values -- respect, customer focus, reliability, creativity, integrity, team work -- in their daily work with all stakeholders whether customers, suppliers, partners, shareholders. The Charter is available at www.airbus.com. In 2018, the Charter was the subject of a series of internal communication activities.

In 2017, Airbus started to put in place an internal mapping of its contributions to the commitments it made in the Charter and the corresponding SDGs. Airbus has worked on mapping internally and identifying targets or KPIs to assess its overall contributions.The objective is to reach common agreement on one target per commitment contained within the Charter.

Airbus' Way Forward: Vigilance Plan

Airbus is determined to conduct its business responsibly and with integrity. The Company is convinced that promoting responsible business conduct within our value chain is key to sustainable growth.

As far as its own operations are concerned, Airbus has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations, which are fully embedded into the Company's culture and processes. At Airbus, heads of programmes and functions, as well as managing directors of affiliates, supported by respective specialists, shall ensure proper deployment of the Company's policies, management of Enterprise Risk Management (ERM) in their fields or perimeters as well as duly reporting issues to top management. Airbus' approach is thus based on its existing strengths, namely strong management process already established and adopted by employees; empowerment of specialists; industry approach whenever possible.

In 2017, Airbus established a working group composed of specialists representing supplier management, health and safety, environmental affairs, labour rights, ethics and compliance, corporate governance as well as risk managers and representatives from the Company's two Divisions. One of the tasks of the working group was to perform a risk assessment and define concrete actions in order to ensure continuous monitoring of the entire Company and to mitigate principal risks or prevent serious violations. In 2018, the working group focused on leveraging every opportunity to embed R&S elements throughout the Company and including them into internal processes and tools.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment in 2017. The ERM system was updated to take into account the most significant potential risks related to these areas that Airbus may generate as part of its operations. These risks and related action plans are now consolidated and reported to the top management of the Company. For more information on ERM, see section " - 4.5, Enterprise Risk Management System". For more information on Airbus' risks, see section " – 4.6, Risk Factors.

To support our commitment to and promotion of a speak-up culture, Airbus created the OpenLine to provide the Company's employees with an avenue for raising concerns in a confidential way. In 2018, Airbus decided to extend the scope to responsibility and sustainability related topics. For more information on the OpenLine, see section " - 6.1.4(a) Ethical Business Practices.

In addition to the current training catalogue of over 80 e-learning courses on labour relations, diversity, environmental and health and safety matters, as well as R&S and human rights, Airbus is working on specific learning programmes for target groups. One programme targeting all Airbus employees worldwide will focus on increasing general awareness on R&S as well as Airbus' commitments as outlined in the Charter. A second programme will be dedicated to risk-exposed populations, such as directors of subsidiaries and buyers, aiming at developing in-depth understanding of legal requirements with regards to environment, health & safety, human rights, labour relations, anti-corruption within the Company's operations and supply chain, and promoting Airbus' internal processes to help mitigate potential risks and help prevent violations. The Airbus Leadership University took the lead to embed R&S strategy and commitments into the courses it offers in order to ensure Airbus managers are trained and equipped to instil the right behaviours, foster cultural change and encourage the search for innovative solutions to answer societal challenges. In addition, the Company also provides training to its employees on the Airbus Standards of Business Conduct.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. A corporate directive assists Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus' ongoing commitment to high standards of corporate governance. In 2018, Airbus, working closely with its two Divisions, approved one single directive on corporate governance for the Company's affiliates, which defines rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. Airbus leveraged this in-depth work to integrate enhanced requirements on labour and human rights, environment, health and safety and procurement matters into the new directive on the basis of related Airbus internal policies including:

- International Framework Agreement;
- Agreement on the European Works Council;
- Supplier Code of Conduct;
- Health & Safety Policy;
- Standards of Business Conduct;
- Environmental Policy;
- Airbus Anti-corruption Policy and related Directives.

In 2018, Airbus and its two Divisions each sent their respective affiliates a questionnaire to assess their internal controls including as they relate to the environment, human resources and compliance. Regarding all the above activities, affiliates were asked to confirm that all relevant Airbus policies were accessible to their employees and duly communicated to them and that dedicated training was organised for risk-exposed employees. In 2019, the scope of the questionnaire will evolve to cover topics included in the new Directive, including R&S, and harmonised between Airbus and the two Divisions.

In 2019, affiliates will be asked to evaluate risks via the Airbus ERM system as well as to regularly monitor them as part of their risk assessment process. Airbus endeavours to ensure that the procedures to assess, investigate and manage allegations are well aligned throughout the Company.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate's management. At least once a year the agenda of the board will include an update on ethics and compliance matters (including training, awareness and any other relevant issues).

In order to ensure proper and systematic cascading of R&S-related policies throughout the Company, Airbus' head of Affiliates has joined the R&S Network.

For its principal minority joint ventures, Airbus will ensure the proper application of its policies or those of its partner.

A dedicated programme has been launched by the Procurement function in order to monitor Airbus' suppliers. For more information on the programme and its implementation, including the vigilance plan for suppliers, see section 6.1.4(b) Responsible Suppliers. For more information on Airbus' approach to the environment, see section 6,1,2(c). For more information on Airbus' approach to human rights and health and safety, see sections 6.1.3(b) and 6.1.3(c).

6.1.2 Responsible Manufacturer

a. Aviation and Product Safety

Airbus recognises the significant trust placed in the company's products by their operators and passengers, and takes its responsibility for their safety seriously. Whilst the foundations of safety are built on regulatory compliance, Airbus goes beyond airworthiness requirements to also focus on safety enhancement activities in products, services, customer operation, and with international stakeholders, whilst also adapting the organisation to meet evolving conditions.

Whenever safety topics must be discussed, it is done at the appropriate level, including by Airbus' senior executives.

The Product Safety Process (PSP) is Airbus' primary means of responding to what is happening with the 10,000 Airbus aircraft flying today, and of maintaining continued airworthiness. It enables Airbus to analyse reports from the field and other in-service events, and frequently leads to the introduction of safety enhancements either to new products under development or to existing designs.

Regulatory compliance

Product certifications are provided by the competent aviation authorities including the main civil aviation authorities (EASA, FAA, NAA) and specific military authorities (EMAR, NAA). Specific approvals are granted by these authorities to the relevant parts of Airbus' organisation at commercial aircraft level and within each Division, according to their function.

Airbus therefore works to ensure compliance through:

- Design and certification of products under EASA Part 21 Design Organisation Approvals (DOA), ECSS-QST-40-C for (Space Products) and Def-Stan 00-56 (Defence Products);
- Manufacturing under Production Organisation Approvals (POA);
- Monitoring of in-service safety through approved EASA Part-M Continuing Airworthiness Management Organisations (CAMO);
- Aircraft maintenance and retrofit operations conducted in line with civil and military EASA Part 145 regulations; and
- Training provided to flight crews, cabin crews and maintenance crews through EASA Part 147 Approved Training Organisations (ATO).

The certified organisations of Airbus are audited by the aviation authorities to ensure the surveillance of the full compliance of Airbus to regulatory requirements. Additional audits are also conducted by third parties as part the quality certifications appropriate to each Division, including EN9100, EN9001, EN9110, AQAP 2110, AQAP 2210 and AQAP 2310.

Going beyond compliance

For enhancing safety by managing and reducing safety risks, a number of company-wide organisational initiatives ensure that departments throughout Airbus work together to harmonise the Company's overall approach to aviation and product safety.

Airbus commercial aircraft and each Division includes a dedicated Aviation and Product Safety function which provides a voice for safety which is independent of other corporate priorities, and empowered to take action across each business to ensure the highest levels of product safety.

For the commercial aircraft activities of Airbus and in each Division, a Safety Management System (SMS) is deployed in order to ensure definition and clarity of safety policy and objectives, manage safety risks, assure effectiveness of implemented risk control strategies and promote safety culture amongst the workforce.

Safety policy is set within the Divisions, following common themes in behavioural values:

- Putting safety first with a commitment to recognising that lives depend on safety
- Being engaged with safety, and aware of the impact of our actions on safety
- Ensuring that potential safety topics are reported and applicable lessons learnt shared with stakeholders

One of the key elements of the Company's safety culture is the open sharing of technical information and lessons learnt with operators and industry stakeholders, including during major investigations within the constraints of ICAO Annex 13 practices. Safety culture is reinforced by the provision of means for confidential reporting of safety topics across Airbus. Just & Fair Culture policies and commitments, which provide assurance and protection from penalisation to employees who report unintentional errors, are defined and deployed throughout the Company.

The Company's safety policies identify axes of safety enhancement activity including in the safety of Airbus products, the safety of flight operations of Airbus products, and safety of the environment in which products are operated. Enhancement activities are tailored to take into account differences in the customer base and operating environment of Airbus commercial aircraft and each Division.

b. Research & Technology

The Chief Technology Office (CTO) applies a lean, project-based approach, encouraging collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts.

CTO is responsible for: guiding all R&T activities of the Company and ensuring Airbus-wide integration of technology through Technology Planning and Roadmapping, accelerating the development of selected technologies through Flight Demonstrators together with the Divisions, providing expertise in breakthrough technologies in support of the group wide projects in Central R&T and developing technologies for the next generation aircraft in Airbus R&T.

Technology Planning and Roadmapping provides R&T Portfolio exhaustive view across the Company, manages CTO portfolio planning process and develops technology roadmaps including the use of key Figures of Merit to enable a value based technology planning.

Flight Demonstrators provide a maturation mechanism and maturity gates for the group R&T portfolio. The Demonstrators employ a CTO-established development methodology, including phasing and key gates, lightweight project management and earned-value management processes, including budgeting, HR and contracting mechanisms tailored for speed of execution.

Central R&T is an R&T planning and delivery vehicle identifying and delivering technology through breakthrough research for future product generations. Central R&T portfolio is shared with Divison R&T and is organised in five boost areas - data science, materials, communication technologies, electrics expertise and virtual product engineering.

Ax R&T The Divisional R&T functions are primarily planning, decision making and arbitration teams accountable within their perimeters to both CTO and to Divisional Engineering and Product Strategy. Their responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business.

Fast Track Domains serve as principal advisors to the CTO on technical vision and roadmaps for associated Technology Domain areas. Fast Tracks established to ensure coherency in the portfolio of activities and to rapidly advance strategic priorities are:

- Electrification;
- Industrial Systems and Manufacturing;
- Connectivity;
- Autonomy;
- Materials; and
- Artificial Intelligence.

Key Progress in 2018

Flight Demonstrators

Flight Demonstrators are a technology delivery vehicle for technological breakthroughs, providing a maturation mechanism and maturity gate for the R&T portfolio. The E-Fan family of technology demonstrators is a bold step towards all-electric and hybrid-electric flight aimed at establishing requirements for future certification of electrically powered airplanes and at training a new generation of designers and engineers for the challenges of electric flying.

A^3

A^3 (pronounced “A-cubed”), is the advanced projects and partnerships outpost of Airbus in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** helps integrating unmanned aircraft systems (UAS) into the airspace. Using a simulator to evaluate policy options and operational models for air traffic management systems, it aims to service all forms of airborne traffic.
- **Vahana** is an electric urban air mobility vehicle designed to carry a single passenger or cargo. The objective is to fly at full scale an all-electric, self-piloted VTOL aircraft and discover the core set of requirements and technologies to enable self-piloted operations. The first Vahana full-size prototype successfully completed its first test flights in early 2018.
- **Adam** (Advanced Digital Design and Manufacturing) aims to develop methods and tools to drastically reduce development lead-time and production cost by leveraging emerging digital technologies.
- **Wayfinder** develops a scalable and certifiable platform for Autonomy and Machine Learning to enable future autonomous flight projects.
- **Voom** delivers an on-demand urban air mobility service using helicopters. It successfully completed its beta phase pilot in Sao Paulo, Brazil and Mexico City.

The operational management of Vahana, Voom and Altitscope is exercised by the new UAM organisation.

Airbus China Innovation Centre (ACIC)

ACIC, based in Shenzhen, is the first Innovation Centre set up by Airbus in Asia. Its mission is to fully leverage local advantages including innovative talents, partners and the eco-system, and combine this with Airbus' expertise in aerospace to explore breakthroughs in technologies, business models and new growth opportunities.

BizLab

Airbus BizLab is the aerospace accelerator where startups and Airbus entrepreneurs speed up the transformation of innovative ideas into valuable businesses. BizLab offers early-stage selected projects wide-ranging support in the form of a programme with a six-month acceleration phase. Startups and internal projects benefit from free hosting in BizLab facilities, have access to a large number of Airbus coaches and experts in various domains, and participate in events such as a Demo Day with Airbus decision makers, Airbus customers and partners.

Airbus Helicopters

Safety remained the 2018 priority by significant progress on components architecture and advanced usage and health systems development. Advanced algorithms to provide specific, early and reliable damaging diagnostic on crack initiation were developed to provide our H225 customers with maintenance credit.

City Airbus, a three-to-four passenger optionally piloted electric vehicle demonstrator for unmanned air mobility, was a top priority of 2018 to gain experience and expertise on urban mobility and vehicle requirements. It has transitioned into Airbus Helicopters from the ExO and has successfully performed a power-on in November 2018 to launch the flight campaign in January 2019.

The urban last mile delivery solution, Skyways, has demonstrated a delivery solution in 2018 after a first flight in January.

Airbus Defence and Space

A priority in 2018 was technology development supporting unmanned aerial systems data driven services to accelerate the business development in this area. Light weight sensors and communication links deployed on the Zephyr High-Altitude Pseudo Satellite were equally important than the automated data analytics on images and other surveillance data which in future will be more and more based on artificial intelligence algorithms.

Integration and implementation of 3-D printing capabilities across the Division’s flying products was accelerated through group-wide initiatives and will continue to be qualified for flight (in military and commercial aircraft as well as in spacecraft / satellites).

Technologies ensuring efficient satellite constellation management as well as preparing the next generation payload modules were matured to Technology Readiness for Product Integration.

c. Environment

The industry faces a variety of environmental challenges, including climate change, and Airbus invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them.

As aviation represents around 2% of global man-made CO2 emissions, Airbus recognises its role in reducing the global environmental footprint of the sector and the importance of staying in line with the global 2°C trajectory. Climate change may also affect the environmental conditions in which Airbus’ manufacturing activities and products are operated. Another area of attention is the elimination of substances that may pose a risk to human health or the environment. Airbus is continually seeking technically-feasible sustainable solutions to reduce the environmental impacts of its products and operations, in cooperation with Airbus' suppliers and industrial stakeholders.

The following section explains Airbus' engagement in managing these challenges.

1. Governance and Environmental Management at Airbus

"Shaping the future" for Airbus means developing products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. In 2018, Airbus updated its environmental policy, with a strong engagement from the CEO. The new policy focuses on three main directions:

- driving development of eco-efficient products and services taking into account environmental challenges;
- continually improving our manufacturing and site operations;
- working in cooperation with the aerospace sector to develop sustainable operations of air transportation.

Airbus Environment Steering Committee coordinates on all matters related to the environment. The Steering Committee meets four times a year and is composed of the heads of Environment for Helicopters, Defence and Space and the commercial aircraft activities of Airbus, as well as a representative from the R&S department. The responsibilities of the members are to provide consistency in environmental policy across divisions and businesses in a harmonised manner, where appropriate and specific actions are agreed for operational implementation.

Airbus also monitors environmental regulatory developments to understand, evaluate and prepare for legal and regulatory evolutions applicable to its activities and products.

Airbus has put in place robust Environmental Management Systems (EMS) based on ISO 14001. Airbus was the first aircraft manufacturer to be ISO 14001 certified. Amongst this year's achievements was the successful certification of the production site in Mobile, Alabama, which is now part of the certification scope.

Environmental risks and opportunities are managed following the company's ERM process. Risks and opportunities are reported quarterly to the Executive Committee of each division and top risks are consolidated at company level to be brought to the attention of Airbus' top management.

On an annual basis, Airbus undertakes an extensive exercise to collect, consolidate and report the Company's environmental performance data. Quantitative data is gathered as well as qualitative data (including certification, incidents and activities on site). This enables Airbus to measure the environmental impact of its site operations, track its performance and communicate information on environmental matters to internal and external stakeholders.

The reporting of environmental indicators is being extended to progressively include relevant categories of Scope 3 emissions. This provides a greater understanding of the environmental impact of Airbus products and operations.

The emissions of the products in operation are largely influenced by downstream stakeholders: airlines' operations of aircraft, air traffic management, and fuel development are amongst them, reinforcing the need for development of appropriate methodology at sectorial level.

In 2018, Airbus reporting includes C02 emissions on the upstream value chain, with emissions linked to employee business travel and oversized transportation. Airbus is looking into developing methodology regarding the C02 emissions of purchased goods and services.

Working in cooperation

Airbus understands the importance of working together with other stakeholders to find solutions.

Airbus is a Founding Member of International Aerospace Environmental Group (IAEG) and participates in different areas of IAEG, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practises and promote development of global standards.

Airbus is an active board member of the Air Transport Action Group (ATAG) which sets industry goals including CO2 emission reduction goals, and mobilises action on strategic aviation issues.

Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (i.e. air quality, noise, CO2).

Airbus supported the ICAO agreement in 2016 on the CO2 standard and also the adoption of the new Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) in 2017. Within the framework of this sectorial offsetting scheme, airlines will start the monitoring and reporting process of CO2 emissions on 1 January 2019. CORSIA is the first global sectorial offsetting scheme.

Airbus continues to proactively support emissions and noise reductions once the aircraft goes into service with our customers, through fuel efficiency services, weight saving projects, developing and offering retrofits (i.e. sharklets) and ground operation solutions (i.e. e-Taxi) and the Sustainable Aviation Engagement Programme.

Airbus has worked with the European Space Agency (ESA) in Earth observation for over 25 years. EarthCARE (Earth clouds, aerosols and radiation explorer) and Copernicus, the most ambitious Earth observation programme to date, are two examples.

Recyclability is another important topic that Airbus is tackling in cooperation with other entities. With TARMAC Aerosave, a joint venture between Airbus SAS, Safran Aircraft Engines and Suez, more than 90% of an aircraft weight is today recycled or re-used through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials.

2. Environmental Concerns

Regulated substances across its products' lifecycles

Many substances used in the global aerospace industry to achieve high levels of product quality, safety and reliability are subject to strict requlatory requirements.

In the aerospace industry, regulations on substances impact key processes and products, such as surface treatments, paints and fire protection.

Facing this challenge, Airbus remains committed to move towards replacement of such substances in products and processes. To help achieve this, the Company has put in place a portfolio of activities and projects, working with suppliers to identify, develop, qualify and deploy new technologies and solutions that avoid use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. Airbus also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector's safety and lifecycle specificities.

Using information obtained from its suppliers, Airbus tracks, registers, assesses and declares regulated substances. The Company has already qualified and deployed over 300 alternative products for substances such as ozone-depleting substances and fluorinated gases.

Airbus invests substantial time and resources in research and development for technologies that use alternatives to regulated substances. When it can be demonstrated that these technologies meet the strict safety and reliability criteria required for aviation, Airbus seeks to implement them in its aircraft design and manufacturing.

For example, in 2006, the Airbus Chromate-Free project was launched with the aim of developing, qualifying and deploying chromate-free alternatives to materials containing and processes using chromates in aircraft production and maintenance. Chromate-free external paint systems developed initially for the A380 programme are now used in all Airbus commercial aircraft manufacturing programmes and across the aerospace industry.

Another example is the Airbus Basic Primer project that researches potential alternatives with the aim of phasing out the green chromated primer coat.

Environmental impact of Airbus industrial operations

Airbus is engaged in an industrial transformation to anticipate and prepare itself for mid-term evolutions of its industrial systems as well as the longer-term solutions to build its “factories of the future”. This company-wide initiative will support the reduction of Airbus’ environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of lifecycle hotspots on some main Airbus products is also ongoing to help focus on appropriate topics.

Analysis of the current trends shows that regulatory pressure on the international scene to reduce the environmental footprint of the aerospace industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement).

Airbus has committed and continues to commit to setting up ambitious short-, mid- and long-term environmental targets. In 2006, the environmental vision was set up for 2020 with goals (by reference to a baseline of 2006 at constant revenue) for reduction of energy consumption, CO2 emissions, water consumption, VOC emissions, and waste production.

So far, the Company’s energy consumption (stationary sources) has been cut by 38%, exceeding the goal of 30%; CO2 emissions have decreased by 40% (scope 1 stationary sources + scope 2 total) against the goal of 50%; VOC emissions have been cut by 60% exceeding the goal of 50%; water consumption has been reduced by 46% against a goal of 50%; and waste production has been diminished by 42% against a goal of 50%.

Thus, since 2017, Airbus has set an extended 2030 Vision.

The following operational objectives on commercial aircraft manufacturing activities have been set:

- respect the Paris Agreement by keeping a global temperature rise well below 2°C above pre-industrial levels, and absorb production ramp-up impacts by reducing CO2 emissions intensity by 60%*;
- reduce its water intensity by 50%* ;
- maintain levels in compliance with air emissions regulations and absorb production ramp-up impacts;
- deploy environmental requirements for and evaluation of suppliers and use these results in supplier selection processes.

**Baseline : 2015 and constant production*

The two Divisions are in the process of developing similar approaches.

Airbus monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators.

Environmental performance	GRI	KPI	Unit	2018	2017
Energy	EN3	**Total energy consumption (excluded electricity generated by CHP on site for own use)**	**MWh**	**3,962,484**	**4,098,475**
		Energy consumption from stationary sources	**MWh**	**1,296,135**	**1,357,724**
		Energy consumption from mobile sources	**MWh**	**1,098,179**	**1,206,689**
		Total electricity consumption	**MWh**	**1,568,169**	**1,534,062**
		Generated electricity from CHP on-site for own use	**MWh**	190,287	190,127
Air emissions	EN16	**Total Scope 1 + Scope 2 CO_2 emissions**	**tons CO_2**	**965,633**	**1,013,101**
		Total direct CO_2 emissions (Scope 1)	**tons CO_2**	**553,063**	**591,002**
		Total indirect CO_2 emissions (Scope 2)	**tons CO_2**	**412,570**	**422,099**
	EN17	**Indirect CO2 emissions Business Travel (Scope 3)**	**tons CO_2**	**111,666**	**na**
		Indirect CO2 emissions Oversize Transportation* (Scope 3)	**tons CO_2**	**185,500**	**na**
	EN20	**Total VOC emissions****	**tons**	**1,526**	**1,565**
	EN21	**Total SOx emissions**	**tons**	**17**	**15**
		Total NO_x emissions	**tons**	**321**	**314**
Water	EN8	**Total water consumption**	**m^3**	**4,016,913**	**4,011,897**
	EN22	**Total water discharge**	**m^3**	**3,336,712**	**3,416,506**
Waste	EN23	**Total waste production, excluding exceptional waste**	**tons**	**98,592**	**105,839**
		Material recovery rate	%	**57,8**	58,5
		Energy recovery rate	%	**20,7**	20,6
EMS certification		**Number of sites with ISO 14001 /EMAS certification*** vs total number of covered by environmental reporting**	Unit	60/71	61
		Workforce effectively covered by reporting over workforce subject to reporting according to the environmental guidelines.******	%	89	90

A220 sites are not yet included according to reporting rules.
2018 data audited by Ernst & Young. 2018 data covers 89% of total group employees.
* Oversize emissions cover transport of large and non standards shipments. 2018 values cover Aircraft Commercial activities.
** 2018 VOC emissions data is estimated. The precise 2018 data will be consolidated and available in March 2019
*** Number of sites covered by the environmental reporting which are certified ISO 14001.
**** Airbus environmental reporting guidelines include sites worldwide with a workforce on-site higher or equal to 50 employees. Note that only 100% consolidated entities are taken into account to calculate this 50 employee threshold. For electricity, coverage is slightly higher (90,3%) due to inclusion of AD Stevenage site.

Environmental Impact of Airbus products in operation

In the last 50 years, the aviation industry has cut fuel consumption and CO2 emissions per seat / kilometre by more than 80%, NOx emissions by 90% and noise by 75% of aircraft in operation.

Whilst this performance is impressive, Airbus and the aviation industry recognise the importance to continue improving the sector's environmental performance in all areas – from noise to air quality and GHG emissions, notably CO2. Due to the industry's short- to medium-term reliance on fossil-based fuels as well as potential additional impacts from non-CO2 factors, the reduction of aviation's impact on climate change remains an environmental challenge.

To address the CO2 challenge, Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to the ATAG CO2 emission goals:

- improve fleet fuel efficiency by an average of 1.5% per annum between 2009 and 2020;
- stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG);
- by 2050, net aviation carbon emissions will be half of what they were in 2005.

Meeting these challenging goals will require a truly collaborative approach across the industry, focused on a combination of improvement measures emcompassing technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and global market based measures.

Good progress has already been made on the first two ATAG CO2 emission targets:

- The average global fleet fuel efficiency has improved by more than 2% per annum over the last 5 years. Airbus has contributed significantly to this reduction by delivering new aircraft (such as the A350 XWB, 25% more efficient than the previous generation aircraft; the A320neo, offering today 15% less fuel consumption compared to A320ceo (targeting 20% in the near future); and the just recently delivered A330neo, providing 14% improved fuel consumption efficiency);
- The recently agreed ICAO Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) should also play an important role towards achieving Carbon Neutral Growth from 2020.

Since 2008 Airbus has been actively supporting the development of sustainable aviation fuel, promoting its use with Airbus customers and supporting its certification. After having started offering the possibility to perform commercial aircraft delivery flights with sustainable aviation fuel from its delivery centre in Toulouse, Airbus has now enlarged the offer for sustainable aviation fuel delivery flights to its delivery centre in Mobile since October 2018. Airbus' ambition is to further scale-up these activities and to make available significant quantities of sustainable fuels for its commercial aircraft customers' delivery flights on a regular basis – and in the longer term from all Airbus commercial aircraft delivery centres around the world.

For the ambitious long-term 2050 target, Airbus continues its research in step-change technologies that further improve the sustainability of our products. Electrification and hybridisation can bring not only significant benefits in addressing CO2 but also for noise and NOx emissions reductions. Airbus is therefore investing in research efforts on developing electric and hybrid-electric propulsion technologies. Airbus already started its journey towards electric flight with the E-Fan family of aircraft in 2011, a success that permitted Airbus to learn from the hundreds of flights performed since. In November 2017, Airbus launched E-Fan X in cooperation with Siemens and Rolls-Royce. E-Fan X is an ambitious technology demonstrator project that aims to be a stepping stone toward a hybrid electric commercial aircraft at the scale of today's single aisle family.

Alongside reducing CO2 emissions, Airbus' latest aircraft models also offer improvements in both noise and NOx emissions reduction: A350 XWB with up to 21 EPNdB lower noise and 31% lower NOx emission compared to CAEP/6 industry standards, A320neo with up to 20 EPNdB lower noise compared to ICAO chapter 4 and 60% lower NOx emission compared to CAEP/6 industry standards. Moreover, A330neo is the first aircraft to receive ICAO chapter 14 noise certification, with a margin of 6 EPNdB and up to 13 EPNdB compared to chapter 4 as well as 27% lower NOx.The H160 helicopter brings noise levels down by 50% compared previous generation helicopters.

Airbus works with stakeholders across the industry including engine manufacturers, airlines, air traffic management providers and airports to be part of the solution in reducing commercial aircraft noise impacts through optimised operational techniques and preferential routings, as well as quieter aircraft. Extensive efforts to reduce noise at the source are already applied in the design process. High priority is being placed on finding new innovative solutions and technology improvements such as low-noise nacelle designs.

With the establishment of an ecodesign team in 2018, Defence and Space has broadened the environmental analyses carried out on its products, including conducting life cycle assessments on various space products. The aim is to advance the environmental performance of its products. Engineers are being provided with such information to reduce the use of regulated substances in product development and to increase resource efficiency.

Services for products in operation

Airbus is supporting the CO2 roadmap not only through state-of-the-art technologies improving environmental performance of aircraft, but also through services such as NAVBLUE, a 100% Airbus company. NAVBLUE develops digital flight operations and air traffic management solutions which offer improved navigation, enhanced operational efficiency and fuel savings (i.e. SkyBreathe software).

d. Responsible Defence and Space Products

Airbus products provide invaluable insights on global environmental challenges and natural disasters, contribute to a safer space environment, and are being deployed to meet world governments' ever-changing needs to protect citizen's rights.

Defence & Security

Airbus works with the EU, NATO and other governments to supply the necessary equipment to support their efforts to make the world a safer place. Nations need defence systems and equipment to guarantee sovereignty, security and human rights. Airbus military aircraft, satellites and security technologies help protect democratic values around the globe. A partnership with Airbus also helps them to protect their nations from the changing nature of terrorism threats and cybercrime.

Unique product features include:

- ALTAIR is an innovative unmanned airship that performs emission free, multi-hour visibility over cities and crowds of people, enabling police forces to secure critical events.
- Ocean Finder delivers fast satellite-based detection and identification reports for assets at sea, including ships, locating hijacked boats, illegal activities detection, maritime mission preparation as well as supporting search and rescue operations.
- Spationav is the coastal surveillance project of Airbus DS SAS.
- Deutsche Küste - As part of the security concept Deutsche Küste (German Coast Security Concept), Airbus Security Solutions is providing a maritime information system is used for managing the planning and coordination of vessel traffic and safety of shipping within German territorial waters.

For information on risks related to security, see section 4.6, Risk Factors – Business-Related Risks – Physical Security, Terrorism, Pandemics and Other Catastrophic Events" and "Cyber Security Risks".

Environmental contributions – With its low earth orbit meteorology satellite systems, optical and radar imagery from Airbus satellites shed light on significant environmental issues such as climate change, pollution, deforestation and natural disasters. Programme highlights include:

- Copernicus is the European Union's Earth Observation programme. The satellites built and managed by Airbus as part of the EU's programme include Sentinel 2 circles the Earth's landmasses every ten days, delivering data for agriculture, forestry, natural disaster control and humanitarian relief efforts. ADM-Aeolus provides global observations of atmospheric modelling and analysis techniques, which benefit operational weather forecasting and climate research.
- METOP mission provides meteorological observations from polar orbit and contributes to the long-term climate

monitoring programme. It also has a search and rescue function.

- BIOMASS will provide global scale maps of biomass, changes due to forest loss (from logging/burning) and forest regrowth, improving the understanding of the contribution of forests to the global carbon budget.
- Twin Grace-FO Satellite observes changes in the Earth's gravitational field over time to better understand the dynamic processes beneath the Earth's surface and the changes in the ice coverage at the poles.
- Starling is a service that assists companies in verifying commitments made to stop deforestation.
- Zephyr is the world's leading solar-powered High Altitude Pseudo-Satellite (HAPS), providing persistent surveillance, tracing the world's changing environmental landscape, and will be able to provide communications to the most unconnected parts of the world.

The Airbus Foundation's partners, such as non-governmental organisations, benefit from Airbus satellite images to assist them in carrying out relief efforts following natural disaster events, as well as the use of Airbus platforms in the transport of relief aide. Further details on the Airbus Foundation are provided later in this chapter.

Sustainable Space – Airbus is working to ensure a safe and sustainable space environment for current and future generations by pioneering relevant technologies and participating in leading sector initiatives. Examples include:

- RemoveDEBRIS, a collaborative space debris removal technology mission
- Technology for Self-Removal of Spacecraft (TeSeR), is a consortium which aims to reduce the risk of spacecraft colliding with debris through a module that prevents collision risk.
- O-Cubed is an on-orbit servicing solution for active debris removal, satellite maintenance and in-space manufacturing.

6.1.3 Responsible Employer

a. Airbus' Workforce

As of 31 December 2018, Airbus' workforce amounted to 133,671 employees (compared to 129,442 employees in 2017), 95.78% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2018. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

Entries & Leaves	2018	2017	2016
Newcomers	**10,959**	**7,318**	**7,532**
Core division	5,246	3,900	3,843
Subsidiaries	5,713	3,418	3,689
Leavers *(including partial retirement)*	**6,198**	**5,151**	**4,698**
Core division	3,245	2,646	2,274
Subsidiaries	2,953	2,505	2,424

In terms of nationalities, 36.3% of Airbus' employees are from France, 31.5% from Germany, 9.0% from the UK and 9.9% from Spain. US nationals account for 1.8% of employees. The remaining 11.6% are employees coming from a total of 136 other countries. In total, 90.7% of Airbus' active workforce is located in Europe on more than 100 sites.

Furthermore, Airbus expects its workforce to evolve naturally to support the business.

Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus' employees by Division and geographic area, as well as by age, including the percentage of part-time employees.

Employees by Division	31 December 2018	31 December 2017	31 December 2016
Airbus Commercial Aircraft*	80,924	74,542	73,852
Airbus Helicopters	19,745	20,161	22,507
Airbus Defence and Space	33,002	32,171	34,397
Airbus (former HQ)	0	2,568	3,026
Group Total	**133,671**	**129,442**	**133,782**

* Airbus commercial Aircraft includes population of Airbus Former HQ since 01 January 2018

Employees by geographic area	31 December 2018	31 December 2017	31 December 2016
France	48,144	47,865	47,963
Germany	45,387	44,214	46,713
Spain	13,684	13,177	12,682
UK	11,214	11,304	12,020
US	2,489	2,707	2,829
Other Countries	12,753	10,175	11,575
Group Total	**133,671**	**129,442**	**133,782**

% Part time employees	31 December 2018	31 December 2017	31 December 2016
Group Total	**4.22%**	**4.20%**	**4.13%**

Active Workforce by contract type	31 December 2018	31 December 2017	31 December 2016
Unlimited contract	130,131	126,534	131,153
Limited contract > 3 months	3,540	2,908	2,629

Airbus´ attrition rate is 4.9% overall (incl. subsidiaries) and 8.51% in subsidiaries only.

Airbus' headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the active workforce, i.e. the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies. The scope for HR structure reporting covers about 97% of Airbus' total active workforce from consolidated companies. In total, about 3% of Airbus' employees are not included in the scope, as no detailed employee data is available at group level for some companies belonging to Airbus, usually recently acquired.

For more details on Scope and Methodology, please refer to the Airbus website at http://www.airbus.com.

b. Human Capital Management, Labour Relations and Human Rights

Airbus' workforce is managed by the HR function thanks to a set of HR policies and a strong labour structure. HR policies are discussed and agreed with social partners through continuous and regular meeting at global and local levels. The current priorities of the Airbus' HR function are:

- to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements;
- to facilitate diversity, continuous integration and internationalisation of Airbus and contribute to a common culture based on strong company values;
- to be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

Training & Mobility

In 2018*, Airbus provided more than 1,3 million training hours and more than 11,000 employees participated to learning linked to leadership domain.

	2018*	**2017**
Number of Classroom Training	114,327	134,427
Number of Digital Training	248,448	144,624

** Change of reporting period in 2018: from 1 Oct 2017 to 30 Sep 2018*

In addition, in 2018 more than 30 000 employees benefitted from others developments and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the company's approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the culture evolution and human transformation in Airbus.

Mobility of employees within or across Divisions is one of the main priorities for the overall benefit of the company. In 2018, as of end of December, more than 12,500 employees changed jobs cross-divisionally and cross-country.

Labour Relations

Wherever it operates, Airbus wishes to grow its economic success in consideration of common principles and standards consistent with International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which the Company has adopted. The principles are in compliance with the Airbus Standards of Business Conduct and with the International Framework Agreement signed in 2005.

In the International Framework Agreement, Airbus reaffirms its willingness to respect the regulation regarding fundamental human rights, equal opportunities, free choice of employment, as well as prohibition of child labour and respect and ensuring the conditions for industrial dialogue.

Airbus in particular intends, via its agreements, to respect the disposition of the following ILO conventions: numbers 111 (discrimination – employee and occupation), 100 (equal remuneration), 135 (workers' representatives), 29 (forced labour), 105 (abolition of forced labour), 182 (child labour), 138 (minimum age), 87 (freedom of association and protection of the right to organise) and 98 (right to organise and collective bargaining).

The head of each business is responsible for ensuring compliance with these principles and will take appropriate measures to ensure their implementation.

Airbus is in continuous dialogue with social partners on its sites in Europe, principally through meetings with management at the European Committee level but also through meetings and negotiations at national or local level. Sites outside Europe are covered by Airbus' ILA framing the social dialogue and social culture in line with local labour legislation, culture and practices of respective countries.

Regular social dialogue is ensured as per ILO requirements and local legislation thanks to Airbus' Societa Europea Work Council (SEWC) agreement in 2015.

Strengthening the role of industrial relations & social dialogue is an enabler of shaping the future of work through workplace cooperation, collective bargaining by enhancing cooperation between employees' representatives and the top management of Airbus.

In line with its commitments, Airbus demonstrated its engagement through the following significant milestones in 2018:

- In 2018, Airbus signed the SEWC Reshape agreement promoting mutual understanding and the co-construction of transnational solutions, which should be then reflected at national level. In this frame, the "Airbus Global Forum Initiative" was launched, with the aim of piloting constructive exchange of information with staff representatives at a global level, in line with responsibility and sustainability policies to further engage the social dialogue towards Company globalisation. The first meeting will be held in June 2019 chaired by the Airbus CEO.
- In October 2018, Airbus also joined the Global Deal for Decent Work and Inclusive Growth initiative ("Global Deal"). Launched in 2016, the Global Deal is a multi-stakeholders' partnership that seeks to address two of the greatest challenges of our time: to reduce high and rising inequalities in opportunities and outcomes and to restore fading trust in the ability of governments and institutions to make economic growth work for all against a backdrop of rapid changes in the world of work. The Global Deal's founding principles aim at encouraging action through voluntary commitments, increasing knowledge base about social dialogue and sound industrial relations and providing platforms for sharing experiences and best practices. Airbus' active representation demonstrates that social dialogue's globalisation is rooted in Airbus' R&S strategy and commitments reflecting Airbus being an employer of choice.

In France, following the entry into force of a new legislative framework related to employee representative bodies with the creation of a single body--the new works council Comité Social et Economique (CSE)— Airbus seized the opportunity for an in-depth review of its social dialogue model which resulted in a unanimous signing of six revised agreements pertaining to the regeneration of the social dialogue. These agreements enable the harmonised development within Airbus in France of a social dialogue that is more focused on strategic issues and the general operation of the company with an architecture giving employee representatives access to an overall vision and the opportunity to better support the transformation being undergone by Airbus (including digitalisation, new ways of working, competitiveness, etc.), without neglecting representation of proximity.

In a fast-paced transforming business environment, the quality of social dialogue, proximity and cooperation has demonstrated its added value in supporting our employees. This was accomplished through transnational restructuring plans by negotiating state of the art accompaniment redeployment measures supporting impacted employees in a constructive social climate with no protests and resulting in finding redeployment solutions to 99% of our employees mainly internally as a result of solidarity and priority principles founded in Airbus' HR values.

Human Rights

Airbus has a zero tolerance approach to all forms of human rights abuse, including modern slavery, within its business, its operations and within its supply chain.

In light of changing regulatory requirements, Airbus has identified a risk of insufficient awareness of human rights impacts relating to its business and its operations. In response, Airbus has decided to launch a programme of work to understand more fully its negative and positive human rights impacts, and to undertake a human rights gap analysis that will consider current and upcoming regulatory requirements, international best practice, the UN Guiding Principles and the UN Global Compact. This work is intended to commence in early 2019.

As part of its obligations under the UK Modern Slavery Act, and in recognition of the global aim of this topic, Airbus published its second Modern Slavery Statement in 2018. Modern slavery, along with wider human rights, is a topic followed by the Airbus R&S Network. Actions to address these issues and understand associated risks to its business and supply chain continued during 2018. For further information on the evaluation of human rights risks in Airbus' supply chain, see section 6.1.4(b) Responsible Suppliers.

Airbus also continued the roll-out of its e-learning modules focused on helping employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns. At the end of 2018, 4,972 employees had completed this e-learning, which is available in four languages and forms part of the ethics and compliance catalogue of learning. Airbus is also committed to promote awareness through internal communication initiatives and awareness sessions and to train its most impacted employees on potential risks. Modern slavery risks will also be covered in the human rights impact and gap analysis which Airbus intends to launch in early 2019.

During 2018, Airbus started to identify potential KPIs related to human rights which could be used to measure progress. Airbus is currently evaluating the availability of data in order to start report using these KPIs.

c. Health & Safety

The health and safety of our employees is a top priority at Airbus. It is Airbus policy to continuously reinforce health and safety related to Airbus work activities as part of the business culture and to deliver responsible health and safety management that sustainably reduces risk to people, the environment and the business.

Governance of Health and Safety at Airbus

A new company-wide Occupational Health and Safety Policy has been issued in 2018 as the foundation of the Company's system for management of health and safety at work. The new Policy reflects the changes in company structure and evolving external and internal requirements.

The purpose of this new policy is to:

- Reinforce the following principles:
  - Responsible management of health and safety, taking all feasible steps to protect people and the business from the health and safety risks that could arise from its work activities.
  - All employees accepting appropriate responsibility for themselves and others.
  - A health and safety management system that drives continuous improvement and compliance.
  - A preventative approach based on analysis of leading and lagging indicators and other occupational health and safety data.
- Reiteration of the health and safety mission and vision:
  - Our mission is to deliver a culture and management systems that promote health and safety at work, related compliance, and the sustained reduction of health and safety risk related to Airbus work activities.
  - Our vision is that Airbus has world class health and safety risk management and is known as a company where safety, health and welfare are valued as an integral part of our success. Airbus aspires to zero work related injuries and ill-health.
- Focus on key initiatives:
  - A health and safety management system based on the principles of the ISO Standard 45001.
  - The implementation of a company-wide health and safety software platform (Federated Information on Safety and Health called FISH).
  - The reinforcement of a company-wide health and safety function by the harmonisation of health and safety philosophy and methodology.

To achieve the objectives of this Policy, Airbus is consolidating health and safety resources into a single organisation to deliver company-wide harmonisation and gain improvements in risk control and efficiency benefits. In this respect, Airbus has defined Transversal Expert Groups (TEG), for Industrial Hygiene, Health and Wellbeing, and Safety Management. These TEG span Airbus, its Divisions and countries, providing advice and helping to improve management of risk control work.

Airbus is structuring its corporate health and safety management framework based on the principles of the newly introduced international standard - ISO45001. The new Policy is one of the foundation documents which has evolved in this regard. The FISH management platform and the harmonisation of the company-wide health and safety function are two of the pillars supporting the health and safety management framework for health and safety at work. Airbus will progressively certify some entities under ISO 45001.

Tools

The company-wide management framework health and safety at work is supported by FISH – the global health and safety software platform. The deployment of this platform started in 2018 and will enhance Airbus' incident, risk health and safety capability. This will enable improved aggregation and analysis of health and safety data to form a risk topography that focuses resources to best effect. Such module will support measurement and evaluation of work-related incidents (eg: near misses) which will improve accident avoidance.

The incident management module of this platform has been deployed in France for Airbus commercial aircraft activities and Airbus Helicopters, in Spain for Airbus and its Divisions and in UK for Airbus' commercial aircraft activities and Airbus Defence and Space. It is expected that the full deployment of this module in the FISH tool will be completed in 2019. Thus Airbus will progressively improve its ability to collect, analyse and report on work related health and safety information, continuously improving the identification and mitigation of risk.

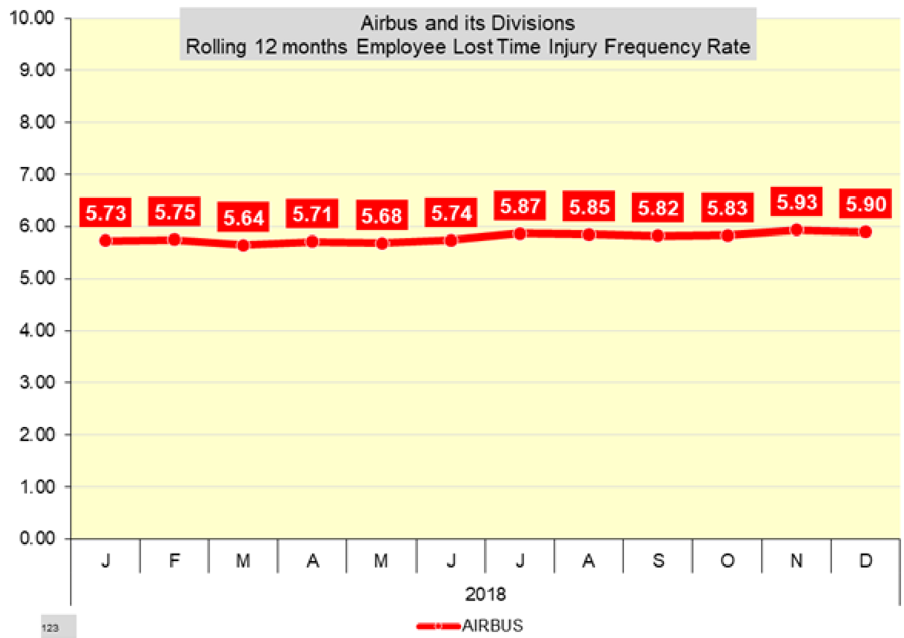
Commencing the deployment of the incident management module and the overall harmonisation process have allowed improvement in the production and collection of overall company-wide KPIs which are detailed below.

Airbus has held an innovation workshop to focus on future technologies to support and reinforce safety and ill-health risk-prevention by using new technologies, such as exoskeleton, ergonomic analysis and virtual reality training.

Risks and Management Performance

The company identifies work-related hazards and seeks to eliminate, substitute, isolate or otherwise manage them to support legal and regulatory compliance. It is intended that company processes further be improved through the company software platform, FISH. Risks that could arise from work activities include the possibility of injury, physical and mental ill-health, damage to equipment, business interruption and regulatory action. Any reputational risk and claims against Airbus that may result will also need to be managed. In 2018, main causes of injury remain slip, trip and fall events and ergonomic/manual handling. Work at height and chemicals present additional concerns.

Collection of health and safety data is being harmonised company-wide using common indicators such as Frequency Rate. The reporting scope of such harmonised health and safety data (reflected in the table below) covers Airbus and its Divisions for the four home countries and the Mobile USA and Tianjin China plants, covering around 92% of the Airbus Active Workforce, and will be progressively extended. Analyses of such reporting data will continue and evolve in light of the level of maturity of data collection.



FISH (the new company-wide software platform for health and safety) will develop consistency of health and safety incident reporting and investigation to improve the Company's incident management results. This will in turn improve data analysis capability and help reinforce preventative activities. The People Safety@Work project was launched for Airbus commercial aircraft activities mid-2018. This project aims to improve the management of work-related healthy and safety injuries in operational areas and drive a safety mind-set. The project is structured through a multi-functional team led by all impacted functions (e.g., Human Resources, Industry, Final Assembly Line, Facility Management, Procurement).

Key Initiatives

Airbus regularly consults and provides information to employee representatives, for example in direct meetings and committees. Airbus has health and safety committees involving employees and their representatives in line with applicable regulations. As examples of such interaction, the health and safety software platform (FISH) project has been presented to more than 25 national and European employee committees and the health and safety team has contributed to an agreement signed with French social partners on quality of life at work (*Qualité de vie au travail*).

Airbus continues to conduct communication campaigns with the ongoing aim of encouraging employees to engage in health and safety risk management. In April 2018, Airbus held a company-wide risk awareness campaign to coincide with the ILO World H&S Day, extending to all employees throughout the group. Numerous other initiatives have been deployed locally on sites including the Safety Box (a dedicated space for safety training and information); Safety Road Risk initiatives; the Extended Enterprise Platform for onsite contractors; and the company-wide health and safety colloquium, where health and safety practitioners meet to exchange ideas and best practices.

The Airbus health and safety training catalogue is constantly evolving to support Airbus' risk management activities. Airbus has defined a health and safety development strategy focusing on harmonised and standardised training. Airbus is also continuously developing its health and safety learning catalogue including digital solutions and alternative learning approaches. From October 2017 to September 2018, the Company delivered over 137,000 hours of dedicated health and safety training to approximately 30,800 individual employees.

Protecting health and safety is one of the Company's top priorities, and Airbus is continuously reviewing its means and processes across plants and sites with this in mind. The 'REACH-IT' project within Airbus' commercial aircraft activities, including similar initiatives within the Divisions, reviews Airbus manufacturing processes, tools and workstations in light of the REACH authorisation application measures for environment, health and safety protection. It contributes to continuous improvement.

With regard to sub-contracting, as further detailed in section 6.1.4(b) Responsible Suppliers, Airbus strives to continuously improve the integration of health and safety elements into the purchasing process. Airbus standard procurement contracts contain health and safety provisions to be respected by suppliers.

In addition, on-site sub-contracting processes are in place and are continuously evolving with a harmonisation objective. Airbus identifies potential risks and defines prevention measures in cooperation with on-site sub-contractors, jointly producing dedicated documents, such as the prevention plans in France or job registration forms in the UK. Airbus then monitors on-site sub-contracting activities.

Outlook

The health and safety management system aims to focus on proactive risk assessment and control, role appropriate competence and development, and active monitoring, analysis and oversight reporting. It is key for Airbus to further expand its health and safety management software platform (FISH) to enhance the ability to capture company-wide performance information in a common format to facilitate improved data collection, analysis and performance. Such data analysis will help reinforce preventative activities.

Airbus also aims to further use learning to support the integration of health and safety into the business culture and is therefore working on the harmonisation of employee training offers for employees and customisation of such offers, for example developing specific training for managers and executives.

d. Inclusion & Diversity

Airbus is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone's unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company.

Airbus' approach to Inclusion & Diversity ("I&D") takes different forms including: I&D Steering Board chaired by the Airbus CEO, dedicated training and awareness, internal incentives for international mobility, initiatives to attract women, flexible work-life solutions. In fact, the Company strives to ensure I&D is embedded in all it does, serves business purposes and benefits all employees worldwide. With full support of the entire HR function, I&D initiatives are run and coordinated by a dedicated team of experts worldwide. The Company's efforts are also supported by several employee networks such as Balance for Business and platforms for exchange like "Knowing Me, Knowing You".

In line with its aspiration for a more diverse workplace, Airbus is working to increase the number of applications from areas that are currently under-represented in its workforce, including but not limited to women, nationalities, age groups and social backgrounds to ensure a broader range of candidates for open positions.

In order to support recruitment of women in all areas, Airbus has entered into partnerships to increase the number of women starting a career in the aeronautical industry – for example with Capital Filles, Women in Aviation, IAWA. Internally, an I&D network of over 4,000 employees work on how to attract, develop and retain diverse profiles, especially women, in the Company. In parallel, Airbus strives to increase the number of women in leadership positions, including through dedicated coaching and training such as "I Unleash My Potential" as well as by fighting stereotypes in internal conferences or workshops. In terms of internationalisation of profiles, Airbus facilitates the attraction of talents from around the world to Airbus' traditional home countries (France, Germany, Spain, UK) through an International Graduate Programme enabling talents from all around the world to come and work on their development over one year at Airbus sites in Europe. In addition, Airbus also put in place several actions to boost mobility from other regions to the home countries.

Although Airbus welcomes many forms of diversity, it measures the evolution of the diversity of its workforce with a specific focus on gender diversity and internationalisation with key KPIs such as: proportion of women promoted to a position of senior manager or above, proportion of women among white collar external hires, gender pay gap at all levels between women and men, and the number of moves from the key countries (including India, China, US) to the home countries.

Airbus has launched several actions to embrace other forms of diversity, including:

- reverse mentoring to connect all generations in the Company;
- accompany the creation of Employees Resource groups like Pride@Airbus (LGBT+ network);
- coordinate all local strategies towards disability with several thousand differently abled employees all around the world.

As far as the Airbus Board of Directors is concerned, Airbus is moving in the right direction with 3 women in 2018 compared to not a single woman on the Board in 2013.

For a description of the diversity policy of the Airbus Board of Directors, see section 4.1.2 Composition, Powers and Rules and section 4.3 Dutch Corporate Governance Code under the heading "Gender diversity".

	31 December 2018	31 December 2017	31 December 2016
Women in active workforce	17.7%	17.5%	17.2%
Women in management positions	12.6%	12.4%	11.4%

The reference to "management positions" in the figure above only applies to the top 4% of the active workforce.

6.1.4. Responsible Business

a. Ethical Business Practices

Leading by Example

The Airbus Ethics & Compliance Programme seeks to ensure that the Company's business practices conform to applicable laws, regulations and ethical business principles, as well as developing a culture of integrity and speak-up.

In 2018, Ethics and Compliance was a top priority for Airbus as for 2017. In its list of priorities for the year, Airbus set the objective to:

"Continue to engage and develop our people worldwide to excel today and tomorrow by adopting key digital skills and mind-set, reinforced ethics & compliance adherence and a strong focus on diversity".

Compliance is at the heart of everything Airbus does today – Airbus is putting significant resources and effort into supporting the coordinated criminal investigations by the UK Serious Fraud Office (SFO) and France's Parquet National Financier (PNF).

The Independent Compliance Review Panel (ICRP), a panel of eminent external consultants appointed by Airbus in May 2017, has also progressed in its mission over the past year. Airbus is committed to putting in place the ICRP's recommendations on how to further improve our compliance processes, policies, organisation and culture.Our E&C Organisation

The Ethics & Compliance organisation is part of the Legal Department under the ultimate responsibility of the Airbus General Counsel. The aim is to provide strong governance throughout the Company with the global presence of qualified compliance officers who ensure the compliance programme is implemented consistently in the different functional and operational areas.

They do this in close cooperation with its employees and management, who are expected to lead with integrity by example and take responsibility for compliance within their scope of activity.

Our Commitment

Over the years, Airbus has earned the trust of passengers, customers, operators and other stakeholders through the quality and safety of our products. To fully serve our communities and thrive in the future, our commitment to business integrity must be just as robust – this means conducting our business ethically and based on Airbus values, and in compliance with all laws and regulations.

As part of this commitment, Airbus supports the principles of the UN Global Compact and IFBEC's Global Principles of Business Ethics which set a benchmark for high ethical standards globally.

Our Standards

The foundation for integrity at Airbus is the Standards of Business Conduct. These Standards are intended to guide daily behaviour and help employees resolve the most common ethical and compliance issues that they may encounter.

The Standards of Business Conduct apply to all employees, officers and directors of Airbus as well as entities that Airbus controls. Third-party stakeholders whom Airbus engages are also expected to adhere to these Standards of Business Conduct in the course of performing work on our behalf.

Our Programme

While the Standards of Business Conduct provide a useful starting point, they cannot answer all questions, nor are they sufficient to ensure that Airbus complies with the myriad legal requirements applicable to its business. Because of this, Airbus has worked over the past several years to develop an Ethics & Compliance programme that is structured around the following key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance and Data Protection Compliance.

Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

More broadly, the Ethics & Compliance programme at Airbus also covers other areas such as conflicts of interest, anti-competitive conduct, insider trading, fraud, etc., while also working with the Airbus R&S Network.

Improving the Ethics & Compliance programme is a constant and ongoing process, not only in the area of Business Ethics/Anti-Corruption but across the ethics and compliance spectrum more generally in order to capitalise on our values.

Business Ethics/Anti-Corruption Compliance

Airbus rejects corruption of any kind, whether public or private, active or passive. This means that neither Airbus, its employees or third parties acting on its behalf may offer, promise, give, solicit or receive – directly or indirectly – money or anything of value to or from a government official or someone in the private sector in order to obtain or retain business or secure some other improper advantage.

The Anti-Corruption Policy (available at airbus.com/company/ethics-compliance.html) summarises its stance of zero tolerance. It also refers to some of the specific directives Airbus has adopted to address key anti-corruption risk areas, such as the engagement of third parties (e.g., business partners, lobbyists, etc.), gifts and hospitality exchange and the making of sponsorships and donations.

In addition to these existing anti-corruption directives, in 2018 the following new policies were adopted:

- a method defining the requirements for the prevention of corruption in the context of international cooperation & offset activities (IC&O), which provides employees with an explanation of the compliance due diligence that must be conducted on IC&O third parties depending on the function or services they perform;
- a method defining the requirements for the processes for “Manage Staffing and On-Boarding” and “Recruit People”, on how to manage applications, recommendations and referrals for recruitment at Airbus;
- a method related to the requirements for the investigation of compliance allegations, to ensure that these investigations are conducted in a consistent and professional manner in accordance with company standards and relevant laws.

In 2018, the Ethics & Compliance team also worked to align and integrate the compliance due diligence screening and on-boarding process of suppliers – formerly managed by the Procurement team through its "Watchtower" – into the overall Ethics & Compliance policy framework and tools. Further work will be conducted by the E&C team in 2019 to roll-out the process consistently across Airbus' Divisions and subsidiaries.

Export Compliance

Each of the countries in which Airbus does business has controls on the export and transfer of its goods and technologies that are considered to be important to national security and foreign policies. As a global enterprise, it is Airbus' responsibility to respect and comply with each of these controls. The Export Compliance Directive defines its policies, processes and organisation to ensure compliance with all relevant export control laws and regulations.

Data Protection Compliance

Building on the solid Personal Data Privacy policy foundation, governance and culture in place since years and the Binding Corporate Rules (available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-BCR-/Airbus%20Group%20BCR%20.pdf) into force across the group since 2014, Airbus fully commits to Privacy and the General Data Protection Regulation ("GDPR") requirements in its operations and products. Thus Airbus has deployed up-dated policies, tools and practices across its entire organisation to meet the Privacy by Design and other GDPR requirements into force since May 2018.

Awareness and Training

Airbus aims to educate its people about the standards of conduct that apply to their jobs and the potential consequences of violations. Target populations are reviewed annually and required to undergo training and awareness eLearning or face to face sessions based on job function, role and responsibility.

In 2018, Airbus employees followed 204,667 Ethics & Compliance digital training sessions. In coordination with an effort to increase accessibility to the digital learning platform, one of Airbus' 2018 objectives was for all employees with access to a computer to perform an Ethics and Compliance digital training session.

Speak-Up Channel: OpenLine

Airbus recognises that the Standards of Business Conduct cannot address every challenging situation that may arise. Airbus therefore encourages its employees to speak-up through various channels, including through OpenLine (available at https://www.airbusopenline.com/). The OpenLine enables users to submit in good faith an alert securely and confidentially and also to ask all questions related to Ethics and Compliance. In 2018, Airbus decided to further improve the accessibility and use of the OpenLine by extending the geographical coverage of the tool, which should allow access to all employees based in the countries where Airbus operates. Airbus also decided to extend the scope of the OpenLine to responsibility and sustainability related topics. Finally, and beyond already existing measures to preserve the confidential use of the OpenLine, users are offered a new option allowing them to remain anonymous, where legally permissible. All of these improvements came into force on 1 January 2019. . Airbus does not tolerate retaliation against employees making reports in good faith and/or assisting in investigations of suspected violations of the Standards of Business Conduct. For further information, visit the OpenLine website.

b. Responsible Suppliers

Airbus designs and integrates complex aerospace and defence products, leveraging an extensive supply chain. Co-operation with suppliers occurs in several fields of the business and is key to ensure quality standards which lead to shared success, growth through innovation and a commitment to sustainability. Airbus also engages its suppliers on its sustainability journey and shares a commitment to improve social and environmental performance, constantly driven by values of integrity and transparency.

1. Procurement at Airbus

More than 12,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2017, the overall external sourcing volume of Airbus is valued at around € 52 billion.

Whilst Airbus products and services are sold all over the world, the majority of its workforce and supply chain are based in Europe and the Organisation for Economic Cooperation and Development (OECD) countries. In the past few years, the supply chain has become concentrated and more international. Such rising concentration is the result of consolidation within the aerospace and defence sector, as well as larger work packages for the major new aircraft programmes being placed with a smaller number of lead suppliers. Airbus has identified global sourcing as one of its leading long-term objectives. To promote the globalisation of its sourcing footprint, an Airbus Global Sourcing Network (GSN) has been established including regional sourcing offices in USA, China and India.

The Airbus “Procurement Academy” provides training on core competences and skills to develop procurement expertise. and prepare Procurement employees for the challenges of the future.

2. Responsible Supplier Management

As a global leader in aeronautics and space, Airbus has taken a commitment to conduct its business responsibly and with integrity. Taking into consideration the level of outsourcing at Airbus, the supply chain is an integral part of Airbus’ ecosystem and the Company is therefore committed to ensure that, as far as possible within its own scope of responsibility and legal obligations, potential adverse impacts of Airbus activities are managed.

Airbus suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in a manner compatible with the Airbus Supplier Code of Conduct.

The Airbus Supplier Code of Conduct is the document of reference for Airbus’ responsible supplier management (available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Supplier-Code-of-Conduct/Supplier%20Code%20of%20Conduct.pdf). This Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). Airbus implemented the International Forum on Business Ethical Conduct (“**IFBEC**”) Model Supplier Code of Conduct in its entirety as the Airbus Supplier Code of Conduct in 2016.

The Supplier Code of Conduct was sent to the 12,000 main suppliers across the world with a letter from the Airbus’ Chief Procurement Officer and the Airbus General Counsel requesting a commitment to the Code. Airbus expects its suppliers to comply with the key values set out in this. Suppliers are also expected to cascade these principles throughout their own supply chains.

Supplier Mapping

As part of supplier management activities, Airbus Commercial Aircraft has put in place, the Supplier Mapping tool with multiple capabilities, notably to identify Airbus supply chain sub-tiers and support identification of risks of supplier non-performance. In 2018, a total of 8,680 suppliers from 64 countries were identified by the Supplier

Mapping tool of which 1,071 were tier-one suppliers, 6,473 second tier suppliers, 1,314 qulified sub-tiers suppliers. A total of 141,148 activities were involved and 45 quality alerts resulted from 422 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

Ethics & Compliance Supplier Watchtower

in 2018, the Ethics & Compliance Supplier Watchtower was managed by the Procurement Ethics & Compliance department proactively checking specific suppliers for compliance aspects.

In 2018, suppliers were checked depending on the risks linked to their country of registration. The risk rating of countries is defined by the Procurement Compliance department and updated regularly. Criteria comprise export restrictions and responsibility and sustainability-related elements such as anti-corruption, human and labour rights.

Supplier Integrity Checks investigate compliance concerns which are triggered by certain business relationships. Such concerns are comprised of, for the Company or its ownership, among others: legal investigations or judgements, negative press reports, incidents of corruption, listings on sanction lists/blacklists, proximity to governments or risky entities (shareholders, customers, beneficial owners and subsidiaries). In case a Supplier Integrity Check yields concerns, a Procurement management meeting is held to discuss potential additional due diligence measures and mitigation actions. About 700 Supplier Integrity Checks were conducted each year in both 2017 and 2018.

A Supplier Integrity Check can be performed on demand and is also embedded in the supplier registration process and eProc, an electronic platform where buyers and suppliers perform all aspects of calls for tender, from identification of potential suppliers, contract awarding, to supplier evaluation and spend analysis.

Environment, Health and Safety in the Supply Chain

Identification of potential risks related to legal and regulatory requirements that may be applicable to Airbus' management of compliance of its activities and products and the communication of information on the composition of its products depends to a large extent on the level of information made available by the supply chain.

Airbus Procurement is continuously striving to improve the integration of environmental, health and safety elements into the purchasing process.

Current standard procurement contracts include i) requirements for suppliers to comply with all applicable laws and regulations regarding, products and services and ii) requirements for suppliers to provide information on substances used in manufacturing processes, contained in their products and on environmental, health and safety matters, including information for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System – based on ISO 14001 or equivalent – which shall consider continuous improvement through the mitigation of significant environmental aspects and impacts, including air emissions (e.g., Greenhouse Gas, Volatile Organic Compounds); waste, water discharges, raw material consumption.

Regarding supplier environmental control and monitoring, Airbus performs the following activities: collecting data from suppliers is made through a Material Declaration Form to enable Airbus to identify which substances are used, tracking and declaring them in the frame of substances regulation such as REACH. Environmental requirements are included in supplier audits and the Industrial Process Control Assessment (IPCA). In addition, the Environmental Obsolescence Risk at Supplier questionnaire (EORS) assesses the level of maturity of supplier processes to manage Airbus environmental requirements and regulated substances obsolescence. EORS is applicable to all Airbus Commercial Aircraft suppliers – for the time being EORS campaigns have targeted the suppliers of cabin, systems and equipment, engines and nacelles products.

As mentioned above under section 6.1.2(c) Environment, Airbus is a founding member of IAEG, which is working on enabling a common approach at industry level, in regard to standards and tools to manage environmental obligations.

The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

Zero Tolerance Approach to Modern Slavery in the Supply Chain

As previously mentioned under section 6.1.3(b) “Human Rights” as part of its obligations under the UK Modern Slavery Act, Airbus published its second Modern Slavery Statement in 2018 in recognition of the global aim of this topic. Modern slavery, along with wider human rights, is a topic followed by the Airbus R&S network and Supplier R&S Programme. Actions to address these issues and understand associated risks in the supply chain continued during 2018 and are detailed in the chapter in regards to the Vigilance Plan.

In addition, Airbus continued the roll-out of its e-learning modules focused on helping all employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns. This e-learning, available in four different languages, is part of the mandatory Ethics & Compliance catalogue of learning. Airbus also plans to launch an in-depth training course specifically focused on human rights and modern slavery for employees engaged in activities in high risk areas identified through its supplier risk mapping and assessment.

Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of people with disabilities by its suppliers. Concretely, a specific mention is integrated into all relevant calls for tender launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2017, the global volume of business with disability friendly companies in France was € 44.5 million with an increase of 19% compared to 2026 for Airbus in France. At the end of 2018, 56 disability friendly companies are working with Airbus compared to 10 in 2010. An extension of this project to Airbus sites in Spain and Germany is planned based on the same philosophy: create jobs for people with disabilities in specialised companies.

3. Moving forward: Airbus Supplier R&S Programme: Vigilance Plan

To deliver parts, components, sub-systems or services, quality, reliability and economic efficiency is key to its operations. However, Airbus believes that this should not be at any cost and as such is committed to engage in due diligence actions with its suppliers with regard to issues of Responsibility and Sustainability.

Airbus strives to make Responsibility & Sustainability a core element of its procurement process. Airbus has a long established and integrity-driven procurement process which manages relationship with suppliers from strategy, supplier selection, contract management to supplier management. Environmental activities in Procurement have paved the way to integration of wider corporate social activities within the supply chain.

Airbus acknowledges the challenge of obtaining sufficient visibility of its supply chain and recognises a risk regarding supplier compliance relating to stronger R&S regulations in terms of human rights, labour and environmental standards in the global supply chain. Willing to encourage development of responsible suppliers and manage the potential adverse impacts of its activities as well as to create new opportunities, in 2017 Airbus launched a Supplier R&S Programme, following international guidance such as the OECD guidance on responsible business conduct.

The Supplier R&S Programme initiated and defined in 2017 for Airbus’ commercial aircraft activities will continue and evolve year on year on the principle of continuous improvement and roll-out in Airbus’ Divisions. In 2019, Airbus will also launch the Supply Chain Environmental Sustainability (SCES) project to complement the response to the Vigilance Plan. The Supplier R&S Programme has been presented to and is regularly reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Programme and its activities are managed by the Airbus Procurement Ethics & Compliance department, together with relevant Airbus Procurement stakeholders. To this end, the existing Airbus Procurement environmental network with representatives from the different Procurement categories of purchase has been extended to cover other R&S topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of R&S-related topics and support the identification of risks according to the category of purchase. The Airbus Procurement R&S network can also support initiating cooperation with suppliers as well promoting industry-recognised practices. Additional governance exists with the corporate R&S, Legal and Ethics & Compliance departments. The Supplier R&S Programme manager is also part of the corporate cross-functional R&S network group.

The Supplier R&S Programme is based on the following four key elements:

A. R&S-related risk identification and mapping

All Procurement related risks for Airbus commercial aircraft activities are embedded into the Company's ERM system. A specific risk category regarding R&S-related risks in the supply chain has been integrated into the ERM system.

The Procurement function supported by the Procurement risk department manage ERM in procurement fields, as well as duly report issues to top management. Along with identification and reporting of R&S-related risks, a proactive supplier R&S risk mapping has been performed in line with international guidance. The risk mapping resulted from both a country risk and a purchasing category approach for human and labour rights and environmental matters. The R&S-related risks levels in the existing supply base require an in-depth analysis and review with the relevant Procurement commodities to agree on the deployment of the relevant internal and external mitigation actions.

This supplier risk mapping aims to detect areas where procurement activities are exposed to significant potential risks. With those suppliers linked to higher risk activities, specific actions started in 2017 and implementation continued in 2018. For new suppliers joining the Airbus supply base such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower) and on-site assessments including questions to evaluate maturity on Responsibility & Sustainability. New mitigation actions in the existing supply base such as dedicated R&S Supplier assessments started to be implemented in 2018 in a trial phase with a specialist service provider.

B. R&S in supplier selection and contracting

For the last few years, Procurement standard contracts have evolved to include clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption has been incorporated into procurement contract templates to further specify Airbus' requirements in this domain.

Furthermore, Airbus has agreed to reinforce R&S-related requirements such as those on human and labour rights along the selection and contracting phase with suppliers. In 2018 the Supplier Code of Conduct has been integrated as a new R&S annex in Airbus standard contract templates. The implementation will be rolled out according to the contractual roadmap of each purchasing commodity. During the call for tender phase, results of the R&S-related risk assessment will be used to require further supplier evaluation if deemed necessary.

To enable successful implementation, Airbus will perform training and awareness activities for its buyers in addition to the specific training that already exists in the areas of environment and ethics and compliance.

C. R&S Supplier evaluation and continuous improvement

Supplier R&S-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration of potential supplier improvement actions. In 2018 Airbus has started the supplier assessment activities in a trial phase with a specialist service provider that assesses social criteria including human and labour rights and environmental performance of 55 potentially critical suppliers in relation to R&S risks. Based on the outcome of the trial phase Airbus will define the long-term solution of regular supplier R&S-related evaluation and audits and its integration in the existing supplier assessment activities, such as supplier self-evaluation, desktop review or onsite audits. Airbus is also exploring potential solutions for the wider aerospace and defence sector via its participation to sector national associations. Clear guidance on how to manage audit results and mitigation actions are being integrated into the relevant Procurement processes.

D. R&S in the Procurement process

Airbus is currently assessing all Procurement processes and tools in order to integrate R&S-related requirements where relevant on top of environmental requirements, which are already largely considered. This will lead over the next years to the adaptation of Procurement process documentation managed by the Procurement strategy teams and set-up of dedicated R&S monitoring tools.

In 2018 Airbus started to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus' Procurement strategy and the embodiment of R&S compliance in supplier selection and management across the supply chain was part of the 2018 Procurement priorities for all employees. The R&S activities are discussed and reviewed by a steering committee composed of the Executive Committee of Procurement.

c. Community Engagement

Airbus recognises the importance of contributing to the development of the communities in which it operates. Airbus was created by establishing a European partnership not only on one aircraft programme but on a long term industrial project. This same spirit of cooperation drives the development of the Company's international footprint. Airbus' approach to community engagement is driven by the willingness to develop a win-win cooperation with the local eco-system and often materialises through partnerships with local NGOs, institutions and other companies.

Local Involvement

On a country level, take Spain as an example. In addition, in 2017, the direct contribution of Airbus to the GDP of Spain was just under 1.3 Billion Euros, which represents 0.12% of national GDP and 60.7% of the contribution to GDP made by the sector. In addition, Airbus stands out in Spain for its contribution to quality employment. The percentage of permanent contracts exceeds the national average by 11 percent and 100% of its employees are covered by a collective agreement. The Company is also committed to training and development of its employees, investing five times more than the national average per employee. Airbus employees receive 4 hours more training per employee than the average for the Spanish industrial sector and 11 hours more than the national average.

On a municipal level, in Touluse in 2018, Airbus continued to support regional economic, academic and institutional players to create the conditions for long-term sustainability and the development of innovation. Airbus provided answers to calls for cooperation in the areas of artificial intelligence, data management and urban mobility as well as sustainability and quality of life in the region. In terms of mobility, the partnership with Toulouse Metropole reached a new milestone in 2018 with the deployment of a car-sharing initiative on all Airbus sites. The job fair Carnet de Vol gathering over 650 young professionals and 80 companies and the launch of an employers' groups (GEIQ) supporting insertion and training of young professionals around digitalisation were key highlights in terms of human capital resources.

Sponsorships and donations are often meaningful ways to have a positive global impact in the communities and society at large. By leveraging its skills, know-how, expertise and passion of its employees, Airbus can bring positive contributions to local communities around its sites. Airbus' directive on sponsorships, donations and memberships provides a Company-wide framework to ensure its local actions are aligned with global strategy, priorities and values. While it naturally supports the local aerospace and defence community, Airbus encourages initiatives around:

- Education and Youth Development (preferably in Science, Technology, Engineering and Mathematics (STEM));
- Corporate citizenship and/or local community engagement;
- Humanitarian and/or Environment;
- Innovation, R&T and Science.

In addition, Airbus is an active member in several industry or other associations, and national or international advocacy organisations, such as GIFAS, World Economic Forum and Advanced Robotics for Manufacturing – ARM institute.

Volunteering at Airbus

In 2018, more than 5,000 Airbus employees were involved in volunteering for 97 initiatives.

Airbus encourages and looks for ways to facilitate its employees' social and environmental initiatives to contribute to societal challenges in the communities around their workplaces.

For example, each week during term time, 115 employees from Airbus' Filton site in Bristol, UK, voluntarily go into local primary schools to provide valuable support in reading and maths hence contributing to SDG4.

The Airbus Foundation

The Airbus Foundation's goal is to support the international aid organisations in regions where the Company operates and beyond. It brings products and resources, from relief flights to satellite imagery, to the humanitarian aid community to help alleviate some of the world's most pressing challenges.

Through its Humanitarian Flight Programme, the Foundation offers Airbus customers to use the delivery of their new aircraft to contribute to humanitarian efforts. By doing so, the programme helps the humanitarian community reduce its high logistics costs by delivering medical and school supplies, food, water sanitation equipment, toys, clothing and emergency response units to the most vulnerable around the world. The Programme also utilises, where possible, Airbus flight test aircraft for such missions. Since its launch in 2008, Airbus Foundation has coordinated 66 humanitarian flights, delivering over 827 tonnes of aid in over 27 countries. Since 2012 495 helicopters flight hours have been chartered in 15 countries, amounting to € 820,000. Finally, satellite images can be used to assist humanitarian organisations in the wake of a crisis in a number of ways. In 2017, a Foundation branded satellite portal was opened, providing free of charge access to satellite imagery to selected partners with whom we have entered into partnerships, including IFRC, WFP, ACF, MSF and KRC. To date, it was responded to 15 requests for satellite imagery to help our partners make assessments following crisis or disaster situations.

Since the launch of its youth development activities in 2012, more than 11,750 young people worldwide were involved with the aim to help them prepare for tomorrow's challenges. More than 1,980 Airbus volunteers supported these programmes. One of its flagship programmes, the Flying Challenge, focuses on young people who are at risk of dropping out of the educational system and subsequently missing training and employment opportunities. The programme has been deployed in sixteen Airbus sites across France, Germany, Spain, the UK, the US and Brazil.

With programmes like the Airbus Foundation Little Engineer (ALE) and Discovery Space (AFDS), the Foundation uses aerospace to spark an interest in STEM, facilitating the access to STEM skills for thousands of young minds around the world. In 2018, over 5,800 students participated to the ALE programme; and since its launch in May 2018, the Airbus Foundation Discovery Space digital platform has reached more than 7000 science centres and obtained over 50,000 content views.

For more information, please refer to the latest Airbus Foundation Activity Report, which is available at www.airbus.com.

6.2 Other Corporate Activities

Digital Transformation Office

The Digital transformation Office ("**DTO**") is responsible for managing Digital Transformation, Information Management and Security across Airbus. It leverages digital technologies in order to bring step changes in business value, market differentiation and employee engagement. DTO boosts and accelerates transformation, by focusing Company initiatives and maximising value capture. While transforming for the digital age, DTO also uses the IM infrastructure and ensures security of the Company's business in an ever-changing risk environment.

Digital Office

The main mission of the Digital Office ("**DO**") is to experiment how a smart combination of digital technologies can bring business value and alleviate pain points across all Airbus business functions.

For each major digital capability stream, the Digital Office is in charge of steering the portfolio of initiatives, capturing lessons learned from past implementations, assessing and confirming expected benefits thanks to proof of concepts and pilot projects, as well as defining the priority areas for deployment and identifying the necessary enablers (e.g. skills, partners, governance, and technical solutions). Once this level of maturity is reached, activities are industrialised for hand over to the programs, functions or existing business lines which is in charge of accelerating value capture through rapid scaling up.

2018 has seen an acceleration of a number of digital capabilities roadmaps such as Internet of Things, Artificial Intelligence, Connected Aircraft Solutions, Virtual & Augmented Reality and others.

Below are highlights of key projects of the DTO, such as Skywise and Digital Design Manufacturing and Services ("**DDMS**"); initiatives such as advanced analytics learning framework and harmonized data governance policy across all Divisions; with transverse enablement by key domains of Information Management and Security

Skywise, Advanced Analytics and Data Governance

Skywise has established an early lead in the race to connect the aviation industry since its launch in 2017 at the Paris Air Show. At the end of 2018, 53 airlines representing over 4500 aircraft (Airbus and other OEM) have signed up for Skywise. The focus in 2019 is to secure Skywise's position as the industry standard for access to aviation data and tools. In 2018, ten suppliers connected to Skywise and three high-value applications in on-time delivery, supplier quality, and in-service issue resolution. 2019 will see the industrialization and scale-up of these applications to aerostructure, cabin, propulsion, and equipment suppliers.

To realize the full value of data on Skywise, Airbus continued to invest in data science and AI capabilities to automate and apply intelligence to the data made available. To mature these capabilities we have continued to hire and train resources in the hundreds throughout 2018

A data governance network of 39 Data Officers and 147 Data Custodians supported these analysts and other users in the business to ensure that Airbus, customer, and supplier data was managed and used appropriately.

Digital Design Manufacturing and Services (DDMS)

As experienced with 350 Programme PLM and Skywise, data continuity across functions brings superior operational performance. Beyond existing systems, DDMS is the programme aiming to build the next end-to-end company digital backbone: A Digital Twin. Beyond methods and tools, the transformation to be made is huge and it has to be conducted in parallel and tightly connected to the operational challenges. It impacts the whole company, its products, industrial systems, support & services enablers, company processes, information management systems and core competencies. There is a strong need to consider full cycle costs and service revenues (not just development costs) while defining our value chain positioning, sourcing policies, and supplier engagement models.

Key progress in 2018

- Definition of the overall programme roadmap and key objectives across all the Airbus divisions
- Strong progress on identification of synergies across the different divisions
- Deployment of the DDMS organisation (capabilities and business demonstrators) and governance principles

Focus areas in 2019

To optimize efficiency and accelerate the transformation, the DDMS programme will work in an agile, decentralized, and empowered manner. The next step is to set up plateaus across different sites that work towards these common objectives. To reiterate, the plan is to progress step by step towards the larger vision, to deploy DDMS principles on the current and incremental developments in order to capitalise on the value added, train the operational teams, and enhance these new capabilities before deploying them on the next generation products.

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Information Management

Airbus now operates in a Digital-driven world where new technologies are reshaping businesses. To stay competitive, Airbus is transforming itself to become digitally-powered. In this context, Airbus Information Management (IM) has set out its vision to help make Airbus successful in the digital era and aligned its deliveries and Transformation Program to this objective.

Key progress in 2018

On top of the daily management of a complex IT landscape (6000+ applications), IM has strongly supported Airbus strategic initiatives:

- Single Aisle ramp-up: significantly reduced IT related business risks which could potentially impact a successful ramp-up;
- Digital Design, Manufacturing and Support (DDMS): started to develop the future of the Product Lifecycle Management (PLM) toolset;
- Skywise: created a scalable data platform and applied tools to use data for smarter decisions and operations and build new services, highly recognised by Airbus customers;
- Digital Workplace: started deploying Google G-Suite to empower collaboration and transform the way people work together; and
- Security operations: launched strategic actions to strengthen business cyber resilience and reduce key cyber risks in the facing of a growing threat.

Digital Foundations and IM Transformation are key enablers to deliver these initiatives successfully and manage the complex IT landscape. Seven new Digital enterprise platforms were released in 2018 as reusable assets (API, Public Cloud, DevOps, Big Data, IoT, Real time Monitoring and IT Service Management).

Started a year ago, the transversal IM Transformation Program (In Motion) has steadily picked up speed to deliver value in 2018 whilst gaining Agile-at-scale maturity:

- Development of a new Operating Model, which is agile and enables to continuously deliver business value and to innovate faster
- Definition of 5-year plans for IM workforce, strategic sourcing and financial governance giving clear insights on IM ambitions
- Implementation of new tools and streamlined processes: a repository to better manage applications portfolio; an IM extended support for delivery centers; an E2E monitoring of critical business flows; a series of digital dashboards starting with Manufacturing

As IM is transforming, IM is becoming a more and more attractive place for talents inside and outside the company. Close to 250 new staff has been attracted to the function lowering the average age, improving gender balance and adding critical digital skills to the organisation.

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Security

Airbus Security perimeter has been designed to cover all Physical and Cyber assets including IT, OT and Product security within all domains and divisions.

Security protects the business and its assets by qualifying and managing the security risks to anchor our company as a responsible and trusted player in the aerospace and defence industry.

However, security capabilities must do more than just addressing the threats that exist now – there is a need to continually gain a deeper understanding of the relevant threat actors, their motivations and attacks paths so that security teams can put its focus in the right areas while building the next generation cyber capabilities wisely.

Therefore, one year after the Gemini reorganisation, Airbus Security department is following two parallel paths:

- Leading security effectively by consolidating and developing ZS fundamental missions across the Group
- Going further by pro-actively support the business strategy, embracing innovations and following a best-in-class approach in cyber security

Key achievements in 2018:

Strengthening of Airbus Security pillars:

- Leaner and business-centric security organisation;
- Single and simple governance model with one unique set of documentation and one shared security strategy;
- Implementation of a global risk-based security approach using ERM as a cornerstone;

Going further to enable Airbus business strategies in a fast transforming and threatening environment, in compliance with regulations and security standards:

- Continuous support to investigations and to major contracts negotiations (security clauses to protect the company assets);
- Maintain close link with both national and international regulatory authorities, while promoting partnerships and good-practices sharing internally and with external stakeholders (supply chain, extended enterprise, regulators, industries);
- Improve the company resilience to security attacks and crises by investing on the threat intelligence means of the Computer Emergency Response Team (CERT) and promoting cyber security expert career paths;
- Support to innovation & scouting through a formalized industrialization process for security innovations (from R&I, to incubator to accelerator).

7. Airbus Strategy

7.1 Commercial leadership, value creation and profitability

2018 was the year Airbus operated as One Company after the completion of the Airbus Group and Airbus integration. This evolution simplified our company's governance, eliminated redundancies and supported further efficiencies, while at the same time driving further integration of the entire group. Airbus overall will derive considerable benefit from the integration through more focused business support and reduced costs..

Airbus Defence and Space continued to reshape its portfolio and refocus on military aircraft, missiles, launchers and satellites. The Company pursued the divestment process of the businesses that do not fit with the new strategic goals and have better futures in more tailored ownership structures. The Company completed the divestment of its North American Airbus DS Communications Inc. business.

Airbus Helicopters retained its leadership in civil and parapublic segment and managed to increase its market share in military segment, while operating in a challenging market environment.

The eight long term paths of the Company's strategy remain as follows:

1. Remain a leader in commercial aerospace, strengthen market position and profitability

The commercial aircraft business aims to be largely self-sufficient going forward. Focus upon on-time, on-cost and on-quality deliveries is paramount given the huge backlog execution challenge (over 7.500 aircraft). Airbus aims to further strengthen its position through focusing on digitalisation, innovation, services, improving our industrial system, and a more global approach.

On 1 July 2018, Airbus announced the closing of the A220 (formerly known as C Series) transaction between Airbus SAS, Bombardier Inc. and Investissement Québec. Airbus now owns a 50.01% majority stake in the aircraft programme. A220 aircraft expand the Airbus single-aisle family to cover the 100-150 seat segment – and respond to a worldwide market demand for single-aisle jetliners in that segment.

Despite challenges in the traditional helicopter market, Airbus Helicopters has shown resilient performance, keeping its market leadership in the civil & parapublic segments.

2. Preserve our leading position in European Defence, Space, and Government markets by providing military platforms, space assets, and associated services, as well as through our participation in missile and launcher joint ventures

The disproportionate scale of our Commercial aircraft business compared to our Defence, Space, and Government activities has diluted the latter's ability to serve as an effective tool to manage and hedge against commercial cycles. Nevertheless, the Company remains fully committed to serving its institutional and government customers by actively shaping and strengthening its Defence, Space, and Government businesses. The Company is doing so by: (i) leveraging customer funding to develop and deliver high performance military aircraft, Space, and related service offerings as well as through its participation in missile and launcher joint ventures; and (ii) focusing on productivity improvements – both through internal means and in the context of European industrial optimization – that will better position the Company in Space and export markets.

In 2018, Airbus worked with our government and institutional customers to anticipate and prepare competitive next generation solutions – including in the domains of Future Combat Air Systems, European MALE RPAS, Maritime

Airborne Warfare Systems, and space situational awareness – while concurrently developing new digital and other services, e.g Smartforce offerings that will improve availability and total lifecycle costs of our military aircraft fleets.

On military markets, Airbus Helicopters also showed strong performance, as market share increased.

3. Pursue incremental innovation potential within product programmes while pioneering and fostering disruptions in our industry, and developing necessary skills and competencies required to compete in the future

Airbus innovates every day to increase its value propositions by enhancing product performance, creating new customer benefits, and reducing costs. Our cutting-edge technologies and scientific excellence contribute to global progress, and to delivering solutions for society's challenges, such as environmental protection, mobility and safety.

After many new product developments in recent years, the majority of the Company's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore target maintaining, expanding and continually leveraging the competitiveness of these products.

In addition, Airbus raised its ambitions to pioneer and disrupt the aerospace industry in areas that will shape the market and our future and made a substantial effort in breakthrough innovation.

A prime example of how Airbus leads disruption in the aerospace industry is Urban Air Mobility, "UAM": We expect a large-scale market to emerge by adding the 3rd dimension to transport options in megacities. This will require new end-to-end solutions combining electrical Vertical Take Off and Landing "eVTOL" vehicles, self-piloting/automation, and a digital, services driven economy with new mobility-as-a-service business models and seamless integration into other transport systems. Starting around 2014, Airbus has made significant progress on technical solutions (e.g., eVTOL vehicle demonstrators, air traffic management, infrastructure) and business aspects (disruptive strategy, on-demand helicopter transport, policy making support) and has become a precursor in the field.

2018 is the year of the of the first flight and power-on of our two flight demonstrators and creation of a dedicated UAM organisation that bundles all related activity and has the mission to build on the learnings from the exploratory projects in order to develop a competitive solution and service offering. Creating the whole new UAM industry will require many capabilities beyond Airbus' scope, and therefore initial partnerships with automotive manufacturer have been started, to explore combined air and ground services.

4. Exploit digitalisation to enhance our current business as well as pursue disruptive business models

Digitalisation will support Airbus' transformation by focusing on five main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering our product data value chain and turning product data into insight, (iv) capturing the end-user experience and (v) driving our business agility.

Airbus launched Skywise, a data platform in collaboration with pioneers in data integration and advanced analytics. Skywise has established an early lead in the race to connect the aviation industry since its launch in 2017 at the Paris Air Show. Skywise aims to become the single platform of reference used by all major aviation players to improve their operational performance and business results and to support their own digital transformation.

In 2018, Airbus Defence and Space together with Airbus Helicopters launched the SmartForce suite of services to enable military operators to exploit the data gathered by their aircraft to enhance operational safety, boost mission availability and reduce maintenance support costs.

5. Adapt to a more global world as well as attract and retain global talents

Airbus has a worldwide presence in 38 countries. The number of employees employed outside core countries is circa 15,300 and this will continue to grow. In Canada alone our numbers have increased significantly from 152 in 2017 to about 2,300 employees in 2018 following our C Series Joint Venture with Bombardier.

An important aspiration for Airbus with a global workforce is to build on its diversity and multicultural teams to support our Industrial cooperation, help us anticipate and respond to geopolitical changes. Our desire to move from an ethnocentric to a geocentric approach is reflected in our mobility strategy which aims to enrich our founding countries with international talents. Our 'Regional Focus Reviews' is another platform used to identify and develop our top talents in all regions and encourage inter and intra mobilities between our regions and founding countries.

Other key programs introduced are as follows:

- iJet: launched in 2017 to create customised development programs to accelerate the career of our top junior international talents. (Internal)
- IGP: a two-year international development programme aimed to attract young and talented individuals. (External)

Our Airbus Global University Partner Programme connects a global network of universities and aims to develop engineering and technology specialists of the future. The programme currently covers 26 universities in 13 countries over 4 continents.

We are also looking at developing new innovative ideas for the future like designing an end-to-end process between Airbus Foundation and Airbus HR programmes to channel students into Airbus jobs and to conduct a feasibility study on launching an International Bursary Program to inspire less privileged children from countries such as Africa and India to study Aerospace engineering.

Last but not least, in keeping a consistent view for an outside in perspective and disruption for innovation, Airbus has established in building an External Community of International leadership profiles to facilitate open exchanges with Airbus.

6. Focus services on and around the Company's platforms

The strategy going forward is to focus on services where the Company can differentiate and add value for its customers according to the motto "no one knows our products better than we", aiming at developing long-term customer intimacy and bringing competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. Cooperation with military customers is set to increase substantially through maintenance and support services thanks to the new platforms still to grow fleet, including about 600 Eurofighters, over 170 A400M aircraft, around 550 NH90s and over 200 Tiger helicopters. In Commercial, the installed base is expanding rapidly, and new innovative services (power by the hour, maintenance, training) are being offered successfully.

Since 1974, Airbus has delivered close to 12,000 commercial aircraft with over 7,500 still to be delivered. As the installed base is expanding rapidly, new innovative services (power by the hour, maintenance, and training) are being offered successfully.

Airbus Helicopters is a typical example of a well-balanced business mix between platform manufacturing and services. Through the HCare service offer, Airbus Helicopters provides material management, helicopter maintenance, technical support, training and flight ops, and connected services.

Airbus Defence & Space is developing GEO-Information & GEO-Intelligence services to better cater not just to governments but also commercial needs.

7. Strengthen the value chain position

Airbus' core capability has been programme management and architect / integrator capabilities in order to design, develop, manufacture, market and service large-scale aeronautics / space platforms and integrated systems. Airbus performs a strong prime integrator role, managing the supplier base to enable the delivery of on time and on quality product to the final customer. We aim to strengthen and optimise selected strategic value chain areas to protect our intellectual property, manage risks, improve customer satisfaction, increase profit, offer services, build competencies and differentiate our offerings. Airbus' suppliers provide a large proportion of the value in our products, necessitating a robust supply-chain governance framework. This is supported by processes and tools that foster partnership, risk mitigation and supplier performance development.

In order to secure our value chain position and maintain a competitive advantage, Airbus is continually assessing its strategy with regard to topics such as, supplier selection, dual source, make or buy, core non-core and M&A. This allows Airbus to offer & deliver the best product to the customer whilst consistently enhancing key bricks in the Value Chain.

8. Focus on profitability, value creation and market position; no need to chase growth at any cost; actively manage portfolio

Thanks to strong organic growth potential, mainly in the commercial airplane business, Airbus is going through a series of production ramp-ups with associated financial needs. On top of that, targeted investments will help to position Airbus for the future. The financial strength of the Company is vital for mastering these challenges, and to ensure that we have enough room for manoeuvre for strategic moves. As a prerequisite, the Company must remain attractive for investors, notably compared to its peers.

7.2 Key divisional priorities 2019

Airbus (commercial aircraft)

- Plan and deliver reliably on operational targets.
- Meet key programme milestones.
- Achieve sales targets and focus on strategic sales campaigns.
- Improve customer satisfaction.
- Deliver enhanced support and increase service offering.
- Ensure safety and quality.
- Deliver financial KPIs.
- Improve operational efficiency and performance.
- Pursue digital transformation across design, manufacturing, and services.

Airbus Defence and Space

- Meet critical development milestones on quality, on time, on cost.
- Enhance customer intimacy and put the customer at the centre of all we do. Ensure customer satisfaction.
- Secure key European defence initiatives – European MALE, FCAS.

- Develop new businesses and new markets including digital services.
- Adapt our skills and competencies to our strategic future.
- Deliver financial KPIs.
- Systematically apply Safety and Quality preventive standards.
- Accelerate deployment of digital solutions with a focus on Digital Design, Manufacturing and Services (DDMS).

Airbus Helicopters

- Deliver on our commitments and achieve key programme milestones.
- Strengthen our focus on Quality and deliver our Aviation Safety commitment.
- Improve customer satisfaction towards Customer Loyalty.
- Sustain safety at work.
- Deliver financial KPIs and boost competitiveness.
- Achieve key milestones for demonstrators and prepare technological bricks for future platforms.
- Roll out digital road-map for customers, operations, and employees.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding the Company's activities, finances, corporate governance and in particular risk factors, the reader should refer to the Company's website **www.airbus.com.**

The Board of Directors hereby declares that, to the best of its knowledge:

- The financial statements for the year ended 31 December 2018 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2018 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

8. Financial targets for 2019

As the basis for its 2019 guidance, Airbus expects the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions.
Airbus' 2019 earnings and Free Cash Flow guidance is before M&A.

- Airbus targets 880 to 890 commercial aircraft deliveries in 2019.

  On that basis:

- Airbus expects to deliver an increase in EBIT Adjusted of approximately +15% compared to 2018 and FCF before M&A and Customer Financing of approximately € 4 billion.

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Victor Chu, Director

Jean-Pierre Clamadieu, Director

Ralph Dozier Crosby, Jr., Director

Lord Drayson (Paul), Director

Catherine Guillouard, Director

Hermann-Josef Lamberti, Director

María Amparo Moraleda Martínez, Director

Claudia Nemat, Director

René Obermann, Director

Carlos Tavares, Director

Leiden, 13 February 2019