ANNUAL REPORT
2017

Connecting the skies

AIRBUS


H160

Airbus is forever innovating, forever progressing, forever challenging the present to be ready for the future.

Airbus aspires to be a digital aerospace champion, connecting software, hardware and customer perspectives for maximum insights and opportunities for growth.

Connecting the skies

Executive summary

2017 was a defining year for Airbus, with digitalisation taking an increasingly important role in the Company's development. A strong operational performance led to better-than-expected results, while there was a sharper focus on Responsibility and Sustainability.


AIRBUS

Opening new horizons

A350 XWB

“Unlocking the potential of data will do nothing short of revolutionise the aerospace industry. By digitally closing the entire loop – from aircraft design to in-service support, by connecting the entire aerospace value chain, we can resolutely achieve superior process and product efficiency. By embracing new digital capabilities with pragmatism and ambition, Airbus will remain at the forefront of aviation innovation.”

MARC FONTAINE
Digital Transformation Officer

How is Airbus approaching its digital transformation?

At Airbus, we are huge believers in the vast potential that a digital transformation of the aerospace industry can bring. This is why since 2015 we have been relentless about exploring the power of digital technologies to improve our operational and product performance, our employees' workplace and to increase revenues and profits.

We have based our digital strategy around developing key technologies that will help us to achieve these goals. These range from advanced analytics and big data through to the “Internet of Things” (IoT), virtual and augmented reality, artificial intelligence, additive manufacturing and robotics.

In addition to maturing and implementing these new capabilities at scale, we are focused on updating and simplifying our IT backbone to make sure we have the appropriate digital foundations upon which to grow a modern business system landscape. This also means equipping all our employees with the right IT solutions and devices to help them be more efficient and ensure a higher contribution to their everyday activities.

What tangible results have you achieved so far?

We have made the greatest progress in analytics and big data. In the digital age, data is the fuel that powers thriving businesses. At the beginning of 2017, we started with a data lake, populating it with as much data as we could and delivering the first internal benefits, mostly in support of the A350 industrial ramp-up. By the end of the year, we had ten times the original number of users and several airlines signed up. This is because they see the value it can generate, from the shop floor to aircraft operations.

And because we understand how much more can be done with full data access, we have introduced an enhanced way to collect this data from aircraft through a flight operations and maintenance exchanger, or FOMAX for short. The solution enables us to go from 400 to 24,000 data parameters gathered on every single flight. All of this data forms the basis of our Skywise data platform for the aerospace industry.

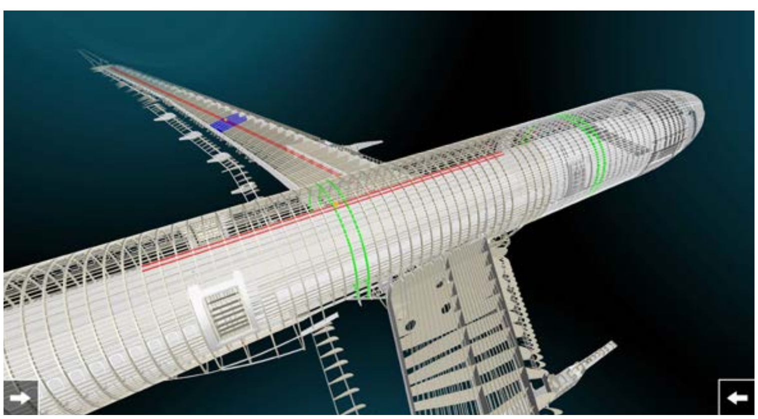
We also demonstrated the benefits IoT can bring to manufacturing and started to scale it up. By digitally connecting different objects such as machines and parts, IoT can bridge the gap between physical and digital reality and therefore substantially enhance efficiency and reduce problems with quality. Proofs of concept have demonstrated concrete value, and we are now working on industrialising them in a pilot connected factory.

The iflyA380 augmented reality app

We've equally made headway with virtual, augmented and mixed reality, applying these technologies across the business. Our engineers are able to view 3D digital aircraft models from any angle using virtual reality headsets to quickly review accessibility, maintenance processes or simply test a new design. We are also using augmented reality glasses for hands-free guidance in production, making installation operations

Airbus is applying technologies like virtual reality across the business

Airbus is embracing 3D digital modelling



quicker, enriched and more comfortable for employees. These technologies also offer great potential for training and maintenance solutions for customers, as demonstrated by the prototype developed with Japan Airlines and JAL Engineering.

On the B-to-C side, our iflyA380 digital booking assistant is also progressing. Since launch, it has attracted millions of viewings and hundreds of thousands of flight requests. Early in 2018, we launched a new iflyA380 app with an augmented reality feature among the new options. We are using it to experiment with new business models and to connect with passengers. As well as allowing passengers to choose to fly on the A380 double decker, iflyA380 is helping us to understand what the end customer wants.

What's next?

For the year ahead, we will focus on industrialising and deploying our most promising innovation and digital concepts. Our Skywise data platform is the most mature solution. It continued to gain ground at the beginning of 2018 when AirAsia Group's A320 and A330 fleets signed up for predictive maintenance services powered by Skywise – and we will extend its offering to our helicopters, military aircraft and other products.

We will also continue to work on creating a digital thread thanks to a modern connected tool suite – following an aircraft from design through to production, in-service and ultimately the scrapyard. From this we expect major breakthroughs in efficiency, both in development cycles and cost reduction but also on the manufacturing recurring costs of each aircraft and its serviceability.

At the same time, we will take great care to upskill our workforce. We are currently training employees across business functions, for example, in basic data analytics. We are also hiring advanced data scientists, systems architects, cyber security experts and other specialists who can help us to solve advanced data and hardware problems. We will also set up a more ambitious change programme to embark and accompany our employees in this digital transformation.

Finally, as we collect more data, cyber and industrial security becomes ever more important. This is and will remain a major priority and enabler.

How will this transform Airbus?

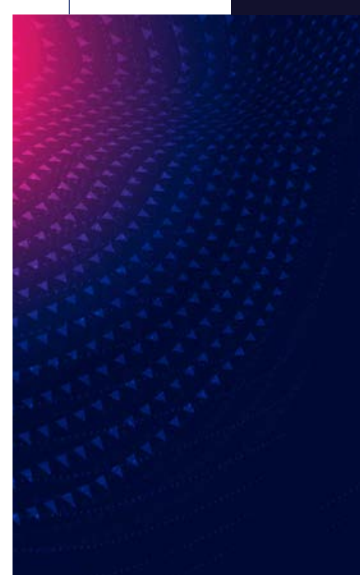
Unlocking the potential of data will do nothing short of revolutionise the aerospace industry. By digitally closing the entire loop – from aircraft design to in-service support, by connecting the entire aerospace value chain, we can resolutely achieve superior process and product efficiency. We have the ambition of zero defects and operational interruptions while enriching the role of our people.

This does not require a fundamental shift in Airbus' strategy. The Company will still continue to make planes, helicopters and space and defence equipment. By embracing new digital capabilities with pragmatism and ambition, Airbus will remain at the forefront of aviation innovation.

Launching *Skywise*

Skywise is a pioneering data platform for the aviation industry and represents a major digitalisation initiative for the Company. Airbus originally used Skywise data to improve internal processes and assembly lines, with great results, and has now made the platform available to customers. A collaboration between Airbus and data analytics pioneer Palantir Technologies, Skywise was launched publicly in 2017 to support the digital transformation of aviation companies.

In time, Airbus aims to extend Skywise to become the aerospace data platform of reference, with a service offering adapted not only to the commercial aviation ecosystem – from Airbus suppliers to engineers, airlines, airworthiness authorities, air navigation service providers and airports – but also for defence customers and helicopter operators. The philosophy of Skywise is to be an open data platform on which the aviation industry will connect and a new ecosystem of solution providers will develop. Specific data governance and security has been put in place to meet this goal.



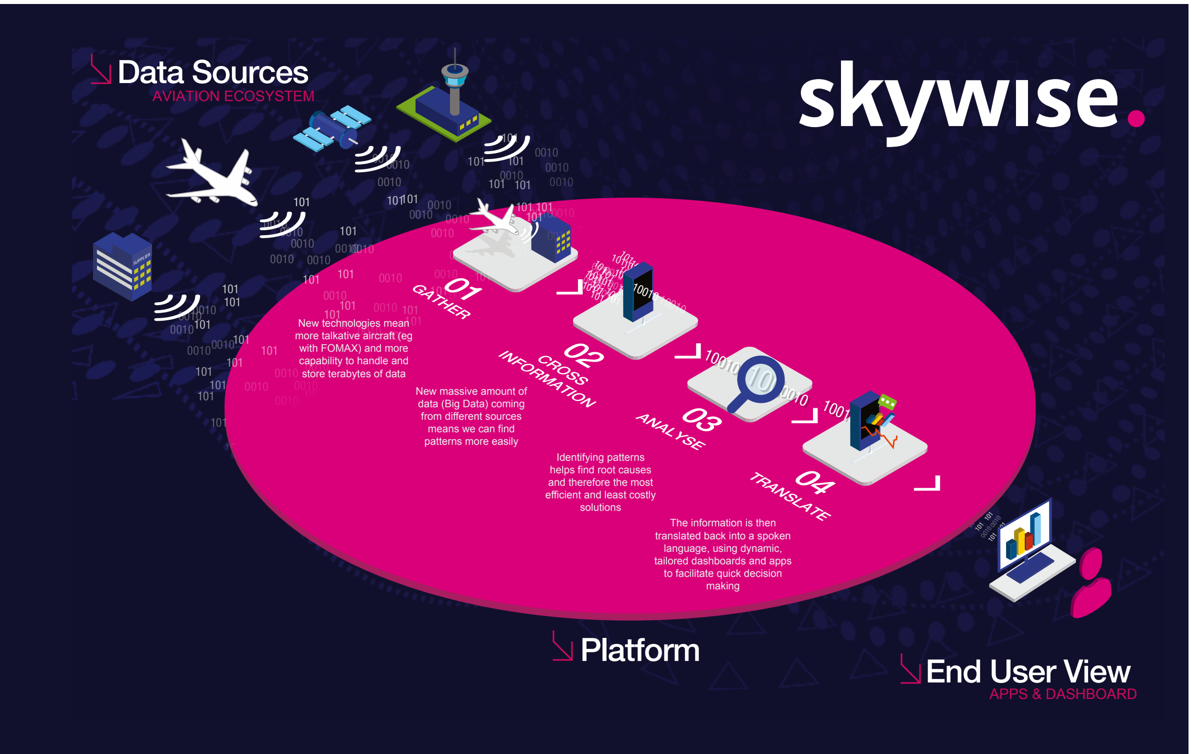
How *Skywise* serves digital transformation

The initial commercial applications of Skywise support the digital transformation of all major aviation organisations. Through the unique combination of Airbus' engineering expertise and advanced data integration and analytics solutions, Skywise can improve operational performance and boost business results.

Airbus believes that this data perspective can change how aviation works, eliminating inefficiencies and enhancing performance throughout the whole industry ecosystem. Skywise helps to build true digital continuity across aviation for the first time ever. The data platform brings together all industry participants, breaking down silos inside and outside each organisation thanks to data sharing.

Data from many different sources is aggregated on a secure, cloud-based platform. A vast array of airline data is processed, including: work orders; spares consumption; components data; aircraft / fleet configuration; on-board sensor data; and flight schedules. Additional data sources are also added to the platform on demand so that airlines can conduct analyses and make decisions based on all their available datasets. Typical data includes: operational interruption histories; parts replacements; post-flight reports; flight reports; aircraft condition monitoring reports; complete on-board aircraft data; technical documentation; technical requests; and service bulletins.

The expected benefits are extremely promising and diverse. They include better industrial performance, shortened development cycles, improved products and the introduction of new services.



Data in the sky

Early-adopter airlines such as AirAsia and easyJet are using Skywise for large-scale fleet analyses and predictive maintenance. By working closely with Airbus, they have been able to identify their top operational issues. This analysis has enabled Skywise to build customised solutions and warnings, allowing airlines to act in order to counter these issues and prevent unnecessary delays for passengers. The airlines also use the underlying Skywise data platform to perform flight operations analysis, predictive maintenance and troubleshooting on an ongoing basis.

Among other data, Skywise collects on-board sensor data and post flight reports. This offers an unprecedented potential to follow the performance of each aircraft through its entire operational life. This allows airlines to fine tune their fleet maintenance and operational programmes over time and also closes the engineering design loop with the aircraft and systems manufacturers. By observing the ongoing behaviour of aircraft and systems, design offices can refine their predictive models and tools to improve aircraft performance today and the aircraft design of tomorrow.

The technology powering the data platform is designed to integrate seamlessly with customers' existing IT infrastructure landscape, and deliver capabilities beyond what is possible with standard "open source" software.

The airlines that have been first to adopt Skywise are co-operating in its development, collaborating on projects including: events tracking and resolution; turnaround-time analysis; operations analytics; predictive maintenance; reliability analysis and benchmarking; and maintenance decision support.

Airbus is confident that the entire aerospace industry will be able to benefit from Skywise to improve performance across a wide range of areas. The Company is currently working to make Skywise available for helicopters, military aircraft and other products.

Sharing our vision

A400M

A year of progress

Letter from Denis Ranque, Chairman of the Board

Dear Shareholders,
Dear Stakeholders,

2017 was a good year for Airbus as shown by the record commercial aircraft deliveries, the new orders and by the strong overall financial performance. In addition, we agreed to acquire a majority stake in the C Series aircraft programme, thereby further extending our portfolio. Even though we recorded a significant charge on the A400M, we made progress on this programme both industrially and with talks with our customers.

"It was a year of preparing your Company for the future"

It was a year of preparing your Company for the future. One of our priorities was to further improve our compliance system by learning from the problems of the past and instilling the right culture for the years to come. To this end, we appointed an Independent Compliance Review Panel and established an Ethics and Compliance Committee, composed of Independent Directors and chaired by me. This Committee is assisting the Board in overseeing Airbus' culture and commitment to ethical business and integrity, and sponsoring the internal Ethics and Compliance programme, organisation and framework, as well as monitoring the investigations made in cooperation with judiciary authorities.

Turning to Airbus' transformation, this was a significant year. In July, the merger of Airbus' former group structure with the commercial aircraft activities took effect, thereby establishing a more streamlined organisation. Your Board has made innovation and new ways of working a strategic priority, including the continued focus on digitalisation to improve efficiencies and generate new business.

In parallel, we launched a comprehensive and orderly management succession plan and have already appointed a new generation of leaders to take the Company forward into the 2020s and beyond. Guillaume Faury, Chief Executive Officer at

Denis Ranque
Chairman of the Board

Airbus Helicopters, took over as President Commercial Aircraft in February 2018, replacing Fabrice Brégier. We recruited Eric Schulz as Chief Commercial Officer, replacing John Leahy, and Bruno Even for Airbus Helicopters. We have also named new leaders for the international operations in the Americas and China.

Furthermore, our CEO Tom Enders has announced that he will not seek another term when his contract expires in April 2019. This gives the Board ample time to ensure the proper succession to Tom.

At the same time, we continued to build on our Responsibility and Sustainability (R&S) governance and coordination. We introduced a charter setting out our R&S commitments, as well as our initiatives supporting the United Nations Sustainable Development Goals that are applicable to our businesses.

In terms of governance, the principle of 'staggered' Board terms means that we replace or reappoint one third of the Directors every year. I would like to thank Sir John Parker, who will leave following the 2018 AGM after 11 years as a steady helmsman on the Board, latterly as Chairman of the Remuneration, Nomination and Governance Committee. His insight and industrial expertise have proven invaluable over the past decade. I also thank Jean-Claude Trichet, who leaves after six years of dedicated service helping to steer the Company through its various challenges. Hans Peter Keitel, who leaves after five years, provided many valuable contributions to the Board.

They are due to be replaced by Victor Chu, Jean-Pierre Clamadieu and René Obermann, who will bring valuable diversity of experience and backgrounds to the Board.

The Board proposed a 2017 dividend of €1.50 per share, which represents an 11% increase compared to 2016. The payout ratio is at the upper end of our policy, reflecting the strength of the year's achievements, our confidence in the Company's future and our commitment toward sustained dividend growth.

In summary, your Board had an exceptionally active year as we prepared Airbus for the future. We are embarking on a new era, with a refreshed management team overseeing an increasingly agile, competitive and digitalised company.

Denis Ranque

Board of Directors

AS OF 1 JANUARY 2018

/01
Denis Ranque
Chairman of the Board of Directors of Airbus SE
CHAIRMAN OF ETHICS AND COMPLIANCE COMMITTEE

/02
Tom Enders
Chief Executive Officer of Airbus SE

/03
Ralph D. Crosby
Member of the Board of Directors of American Electric Power Corp.

/04
Lord Paul Drayson
Chairman and Chief Executive Officer of Drayson Technologies Ltd

/05
Catherine Guillouard
Chief Executive Officer of RATP

/06
Hans-Peter Keitel
Former Chief Executive Officer of HOCHTIEF AG

/07
Hermann-Josef Lamberti
CHAIRMAN OF AUDIT COMMITTEE
Former Member of the Management Board of Deutsche Bank AG

/08
Amparo Moraleda
Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC

/09
Claudia Nemat
Member of the Board of Management of Deutsche Telekom AG

/10
Sir John Parker
CHAIRMAN OF REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE
Former Chairman of the Board of Anglo American PLC

/11
Carlos Tavares
Chairman of the Managing Board of Peugeot SA

/12
Jean-Claude Trichet
Honorary Governor of Banque de France and former President of the European Central Bank

AUDIT COMMITTEE
REMUNERATION, NOMINATION AND GOVERNANCE COMMITTEE
ETHICS AND COMPLIANCE COMMITTEE

Pictured in the background is the A330neo which made its successful maiden flight in October 2017. The fuel-efficient widebody aircraft is due to enter into service during 2018.

Ready for tomorrow

Interview with Tom Enders, Chief Executive Officer

How would you describe Airbus' 2017?

2017 was a successful year for Airbus although it was not short on challenges! We surpassed all the main objectives that we set out early in the year thanks to a great team effort. We also progressed in preparing the Company for the future, with the highly promising C Series partnership, digitalisation initiatives and the appointment of new leaders.

Why was the year so successful?

Our strong operational performance, especially towards the end of the year, drove these results. We pursued our production ramp-up and ultimately delivered a record number of commercial aircraft despite some persistent engine issues on the A320neo. The commercial market was robust overall and we ended the year with a book-to-bill of 1.5. The backlog of over 7,200 aircraft really highlights our competitive portfolio and will underpin the production ramp-up in coming years.

It was also a decent year for Helicopters with a book-to-bill above 1 by value despite a soft civil and parapublic market. Included in the intake were some encouraging orders for the Super Puma, driven by the military side.

Defence and Space also had a solid 2017, with some notable contract wins for the C295 and tankers in Military Aircraft as well as a positive contribution from the Eurofighter programme. The Division also recorded two new contracts in the fourth quarter for the latest generation of large all-electric telecommunications satellites despite a slow overall market.

"2017 was a successful year for Airbus… We also progressed in preparing the Company for the future."

What were your operational highlights?

Even without engine issues, delivering 718 aircraft would have been no mean feat. In the end, we managed to raise the output of A320neos and A350s by a considerable margin. The A350 made good progress industrially and is well on track for the targeted production of 10 aircraft a month by the end of 2018. During the year we certified the larger A350-1000 on schedule with the first delivery following early in 2018. The A330neo also made its maiden flight.

Helicopters made good progress with its transformation plan which helped to support its competitiveness globally. It's on a stronger footing and better able to cope with future market challenges. Defence and Space is now a leaner and more focused entity following the divestment of non-core businesses. Even though we had to record a €1.3 billion charge on the A400M programme, we made progress on the industrial and capabilities front. In early 2018 we signed a breakthrough agreement with our government customers, which means the remaining risk exposure is significantly reduced.

Our strong operational performance meant we were able to deliver a sharp rise in free cash flow and an underlying profit ahead of our guidance. We want to make sure our shareholders benefit from this positive development and propose a dividend of €1.50 a share, which is a sizeable increase compared to last year.

Tom Enders
Chief Executive Officer

What were the main strategic developments?

The most significant move was our decision to acquire a majority stake in the C Series aircraft programme. We are now working flat out to close the agreement in Summer 2018. It will extend our product offering in a fast-growing market segment while expanding our industrial footprint in North America with a C Series Final Assembly Line (FAL) at our existing facility in Mobile, Alabama. In Helicopters, we broke ground on our first FAL in China while in Space Systems we inaugurated a production line in Toulouse to produce the initial satellites for the OneWeb constellation.

What role is digitalisation playing in Airbus' development?

Digitalisation represents a huge opportunity to improve not only our performance but that of the entire industry.

We are starting to apply data analytics to assist with the production ramp-up and have launched an exciting new data platform called Skywise. Here, we are steadily attracting new partners from across the industry.

You also implemented some key management changes. What were these?

That's right. The senior management team evolved with the appointment of some new faces to take the Company forward into the next decade. Guillaume Faury took over from Fabrice Brégier as President Commercial Aircraft in February 2018 after a successful run at Helicopters while our long-serving sales chief John Leahy has been succeeded by Eric Schulz, formerly the No. 2 at Rolls-Royce. We have appointed Bruno Even to manage Helicopters, hired Jeff Knittel to run Airbus Americas and George Xu to manage our activities in China. All in all, the Company is in safe and capable hands!

How much focus was there on compliance and the ongoing investigations?

We spent considerable time last year tackling the legacy compliance issues. Many of the investigations are still ongoing and will remain a major area of focus. While having the authorities look into issues from our past, we are continuing to improve our internal Ethics and Compliance policies all the time. Training and awareness in this important topic will remain a key priority for our employees, whatever their level or location. Integrity was one of the six core values selected by employees during the year. We have the support of three very senior international experts in these efforts. We also had a heightened focus on Responsibility and Sustainability initiatives, including the philanthropic activities of the Airbus Foundation around the globe.

Finally, what are your key priorities for 2018?

It's a no brainer really – our number one operational challenge is the production ramp-up as we target record aircraft deliveries once again. This mainly concerns the single-aisle and A350 programmes of course. But, last year we showed what we could do and I have every confidence in our teams to manage this ramp-up together with our suppliers. On A400M, we have to focus on achieving a contractually binding agreement with our customers and on capping the exposure once and for all.

We are fully focused on stepping-up the earnings and cash performance during 2018 and in the coming years. And while we are doing all this we will continue to execute our digitalisation, management change and Ethics and Compliance programmes.

Executive Committee

AS OF 1 JANUARY 2018

TOM ENDERS
Chief Executive Officer, Airbus

FERNANDO ALONSO
Head of Military Aircraft,
Airbus Defence and Space

THIERRY BARIL
Chief Human Resources Officer,
Airbus

FABRICE BRÉGIER[1]
Airbus Chief Operating Officer
and President Airbus Commercial Aircraft

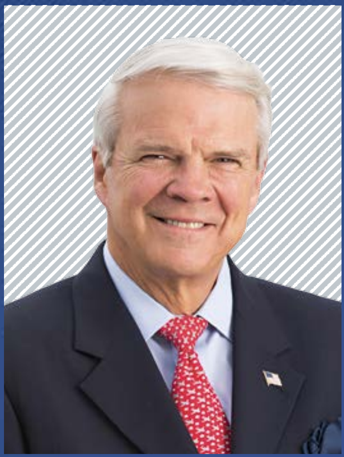
GUILLAUME FAURY[2]
Chief Executive Officer,
Airbus Helicopters

JOHN HARRISON
General Counsel, Airbus

1 Fabrice Brégier left Airbus in February 2018.
2 Guillaume Faury became President Commercial Aircraft in February 2018. Bruno Even has been appointed the new CEO of Airbus Helicopters.

DIRK HOKE
Chief Executive Officer,
Airbus Defence and Space

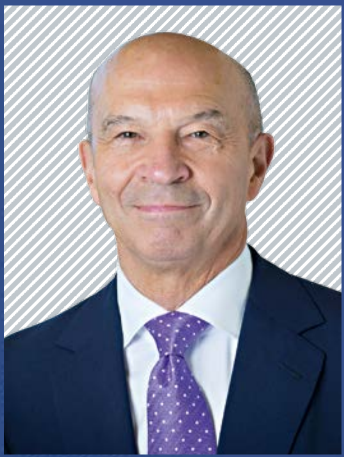
JOHN LEAHY[3]
Chief Operating Officer - Customers,
Airbus Commercial Aircraft



ALLAN MCARTOR[4]
Chairman, Airbus Americas

KLAUS RICHTER
Chief Procurement Officer, Airbus

HARALD WILHELM
Chief Financial Officer, Airbus



TOM WILLIAMS
Chief Operating Officer,
Airbus Commercial Aircraft

3 John Leahy retired as COO - Customers for Commercial Aircraft in late January 2018. Eric Schulz started as Chief Commercial Officer, Airbus on 25 January 2018.
4 Allan McArtor retired in February 2018 and remains Airbus Americas Chairman Emeritus. C. Jeffrey Knittel was appointed Airbus Americas Chairman & CEO in January 2018.

Ethics and Compliance

Interview with John Harrison, General Counsel and Sylvie Kandé de Beaupuy, Chief Ethics and Compliance Officer

How are you embedding Ethics and Compliance (E&C) throughout Airbus?

John Harrison: 2017 was a vital year for Airbus' Company-wide transformation, and E&C was a key part of that. Our resolve to make E&C a bedrock of the Company starts at the top. The integration of Airbus under a single brand provided an opportunity to embed a strong, uniform E&C culture across the business lines and around the globe. This is now a priority at Airbus, Airbus Helicopters and Airbus Defence and Space.

We devoted a lot of energy to E&C in 2017, both addressing legacy investigations into historical conduct and ensuring we don't repeat the mistakes of the past. The Board established a permanent E&C Committee, composed of Independent Directors and our Chairman, which is overseeing Airbus' culture and commitment to ethical business and integrity, as well as monitoring the internal E&C programme, organisation and framework. Notably, we also appointed an Independent Compliance Review Panel, composed of eminent external consultants, whom we have asked to recommend ways for us to improve compliance.

But just as importantly, we invited employees to identify our core values – the principles that they believe define Airbus' ethical culture. Once these were identified we communicated them to all our 130,000 employees.

"By setting the right tone from the top, and making ethical and compliant behaviour instinctive throughout Airbus' businesses and locations, we hope to set ourselves apart."

John Harrison

John Harrison
General Counsel

Sylvie Kandé de Beaupuy
Chief Ethics and Compliance Officer

How did you select Airbus' core values?

Sylvie Kandé de Beaupuy: Around 55,000 people from 17 countries – almost half of the workforce – took part in an online poll, selecting their preferred values from a list of 12. They defined the Company's six core values as: Integrity, "We are One/Team work!", Customer focus, Creativity, Respect and Reliability. These values show what the Company means to each employee. They are our DNA. From an E&C perspective, it's important to note that Integrity is one of Airbus' core values.

We're on a journey to live these values in everything we do, every day. After the selection of the core values, we conducted focus groups where employees discussed the meaning and behaviours linked to each of the selected values. Then there was a consolidation event, where each focus group selected a leader, who attended a two-day event during which the definitions of values were fine tuned.

Was this in addition to broader E&C training?

Sylvie Kandé de Beaupuy: Yes. In total, we held almost 85,000 e-learning sessions for more than 55,000 people in the year as well as face-to-face sessions. We have developed a variety of tools and training sessions to embed good behaviour throughout the Company. During the year, we acted to make ethical and compliant behaviour instinctive. For example, all executives and senior managers are expected to lead by example and have at least one concrete E&C action in the goals that their performance is judged by. We have also raised awareness of E&C for all employees using communication tools such as the Intranet.

What is your eventual aim?

John Harrison: By setting the right tone from the top, and making ethical and compliant behaviour instinctive throughout Airbus' businesses and locations, we hope to set ourselves apart. It's a key element in making the Company a truly sustainable business. We would like E&C to be a source of competitive advantage, so that customers choose us not only because of the quality of our products and our services, but also because we are doing things in the right way and we are responsible. We want to translate these values into how we work, and how we relate to our colleagues, customers and suppliers. We achieved a lot in 2017 and there's a huge amount of momentum as we go into 2018.

Responsibility and Sustainability

Airbus is committed to promoting responsible business conduct and contributing to the UN's Sustainable Development Goals (SDGs).

In 2017, Airbus reviewed, redefined and formalised its approach to Responsibility and Sustainability (R&S), which is embedded in its strategy and culture. The Company is seeking to improve coordination of R&S, as well as monitoring its impact through key performance indicators (KPIs).

Airbus is determined to conduct its business responsibly and with integrity, from ensuring its business practices conform to applicable laws and regulations, and championing product safety improvements, to integrating the high standards of responsibility and human rights across the Company and throughout its supply chain. At the same time, Airbus is committed to applying its resources and energies to seeking solutions for societal challenges.

The aviation industry is already a driver of sustainable development, bringing together people, businesses and communities, and supporting trade and tourism. Airbus' aircraft, satellite and defence solutions facilitate countries' integration into the global economy, providing direct benefits to users. The industry supports 58.1 million jobs worldwide and it is growing: the Airbus Global Market Forecast for 2017-2036 anticipates that air traffic will increase at a rate of 3.2% per year in mature markets such as North America and Western Europe, while growth in emerging markets like China and India will be almost double that.

The Company is also focusing on complying with the EU Directive on disclosure of Non-Financial information and the French "Devoir de vigilance" law *(see the 2017 Registration Document)*, as well as other regulations. Yet, Airbus often goes beyond what is required by regulations, entrenching R&S more formally throughout the businesses.

A new charter

To explain its commitments, Airbus published a R&S charter in early 2018. This sets out what the Company is doing to achieve its purpose: to create a better connected, safer and more prosperous world. Signed by the top management of the Company, the document describes how everyone at Airbus plays a part in delivering on commitments.

The charter sets out the commitments as follows:

- **Product safety:** Airbus is committed to its duty of accident prevention, and constantly champions safety improvements to achieve this.
- **Anti-corruption and bribery:** The Airbus Ethics and 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.
- **Labour relations:** In a context of globalisation, Airbus sets a strong labour structure to ensure the deployment of common principles and standards where it operates.
- **Environment:** Airbus is committed to acting responsibly by reducing its own environmental impact, and influencing the reduction of those in its value chain, to promoting international goals for the aerospace industry in these areas, and even to bringing solutions to monitor climate change.
- **Respect for human rights:** The Company expects all people to be treated, and to treat others, with respect and dignity.
- **Diversity:** Airbus promotes diverse profiles and an inclusive working environment in which all employees are respected and valued for their distinctive characteristics.
- **Health & safety:** The Company is committed to protect people and the business through responsible management of health, safety and well-being at work.
- **Supply chain:** Airbus is resolute to continue integrating high standards of responsibility throughout its operations and to require them in the supply chain.
- **Community impact:** Airbus supports communities by partnering with local stakeholders and international organisations, encouraging employee volunteering and providing resources to the Airbus Foundation.

Contributing to the United Nations SDGs

As a global citizen, Airbus strives to create products with better environmental performance and technologies that contribute to sustainable mobility, while its industrial activities and educational initiatives improve economic and social conditions around the world. It embraces the **UN Sustainable Development Goals** (SDGs) as a roadmap for the steady progress of its responsible business, contributing to at least eight of the 17 SDGs:

4 **SDG 4:** Quality education	12 **SDG 12:** Responsible consumption and production
5 **SDG 5:** Gender equality	13 **SDG 13:** Climate action
8 **SDG 8:** Decent work and economic growth	16 **SDG 16:** Peace, justice and strong institutions
9 **SDG 9:** Industry, innovation and infrastructure	17 **SDG 17:** Partnerships for the goals.

Airbus is researching the most suitable KPIs for monitoring its contributions, with a view to introducing them in 2018.

Commitments in action

While Airbus supports at least eight of the UN SDGs, **four examples** of the Company's activities in 2017 are shown.

Inspiring young people

SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Airbus aims to motivate young minds to learn science, technology, engineering and mathematics (STEM) skills, as well as to help students from deprived communities find career opportunities. Through the Airbus Foundation and volunteering initiatives on local sites, the Company is leveraging the skills, know-how and passion of its employees, to inspire young people and encourage them to follow careers in aerospace and other sectors.

In 2017, Airbus employees worked with young people all over the world. The Airbus Foundation Flying Challenge is the Company's flagship youth development programme. Working with more than 1,000 youngsters aged 13 to 16 each year, Airbus volunteers spend thousands of hours mentoring young people to boost their confidence and encourage them in school. The programme now runs in 15 sites stretching across Europe and the US.

Turning to the developing world, the Foundation's Little Engineer programme operates in the Middle East, Asia and Africa. It has encouraged thousands of 10- to 16-year-olds to understand and embrace technology. In 2017, it was rolled out to Africa and India for the first time.

Also in 2017, the Airbus Foundation Discovery Space at Stevenage in the UK was opened, offering students the opportunity to combine STEM learning with seeing engineers working on a real project – in this case the launch of the ExoMars rover.

Affordable internet access for everyone

SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Connecting everyone and every school on Earth through affordable internet access is the mission of OneWeb. In June 2017, OneWeb Satellites, an industrial joint venture between OneWeb and Airbus Defence and Space, set about turning vision into reality, inaugurating an assembly line in Toulouse that will build OneWeb's first communications satellites. The aim is to place a constellation of 900 satellites in space, turning the Earth into a planet-sized internet network.

In the spirit of OneWeb's mission, Airbus' industrial and technical expertise will be leveraged to manufacture these low-Earth orbit satellites at a pace, quantity and cost-efficiency never achieved before.

By 2027, OneWeb aims to bridge the digital divide on a global scale, connecting billions of people around the world. With 8 terabits per second of new capacity, it will extend the coverage of mobile operators and internet service providers, delivering affordable voice and data access to consumers, businesses, schools, healthcare institutions and other end users.

Pioneering climate change action

SDG 13: Take urgent action to combat climate change and its impact

13

As a leading global aerospace company, Airbus is taking a leading role in tackling climate change – both through developing more fuel-efficient aircraft and producing satellites that promote greater understanding of atmospheric pollution.

The growing A350 XWB fleet is an example of Airbus' new generation of eco-efficient planes. Both variants – the A350 900 and its longer twin, the A350-1000 – cut fuel burn and emissions by 25% compared with previous generation widebody aircraft. By the end of 2017, some 17 airlines were flying 142 A350-900s. Also in the year, the A350-1000 received certification, ahead of delivery to its first customer early in 2018.

Turning to satellites, when the Sentinel-5 Precursor satellite was launched in October 2017, it gave the European Space Agency more data to improve its understanding of atmospheric pollution. Built by Airbus, the satellite will measure atmospheric pollutants more accurately than ever before. These include: ozone, nitrogen dioxide, sulphur dioxide and methane.

Sentinel-5 Precursor is part of the global monitoring programme "Copernicus", a joint European Commission–European Space Agency undertaking, which aims to acquire continuous and accurate Earth observation data. Having more accurate data improves Copernicus's climate models, pollutant tracking and forecasting.

Relieving the hurricane-hit northern Caribbean

SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development

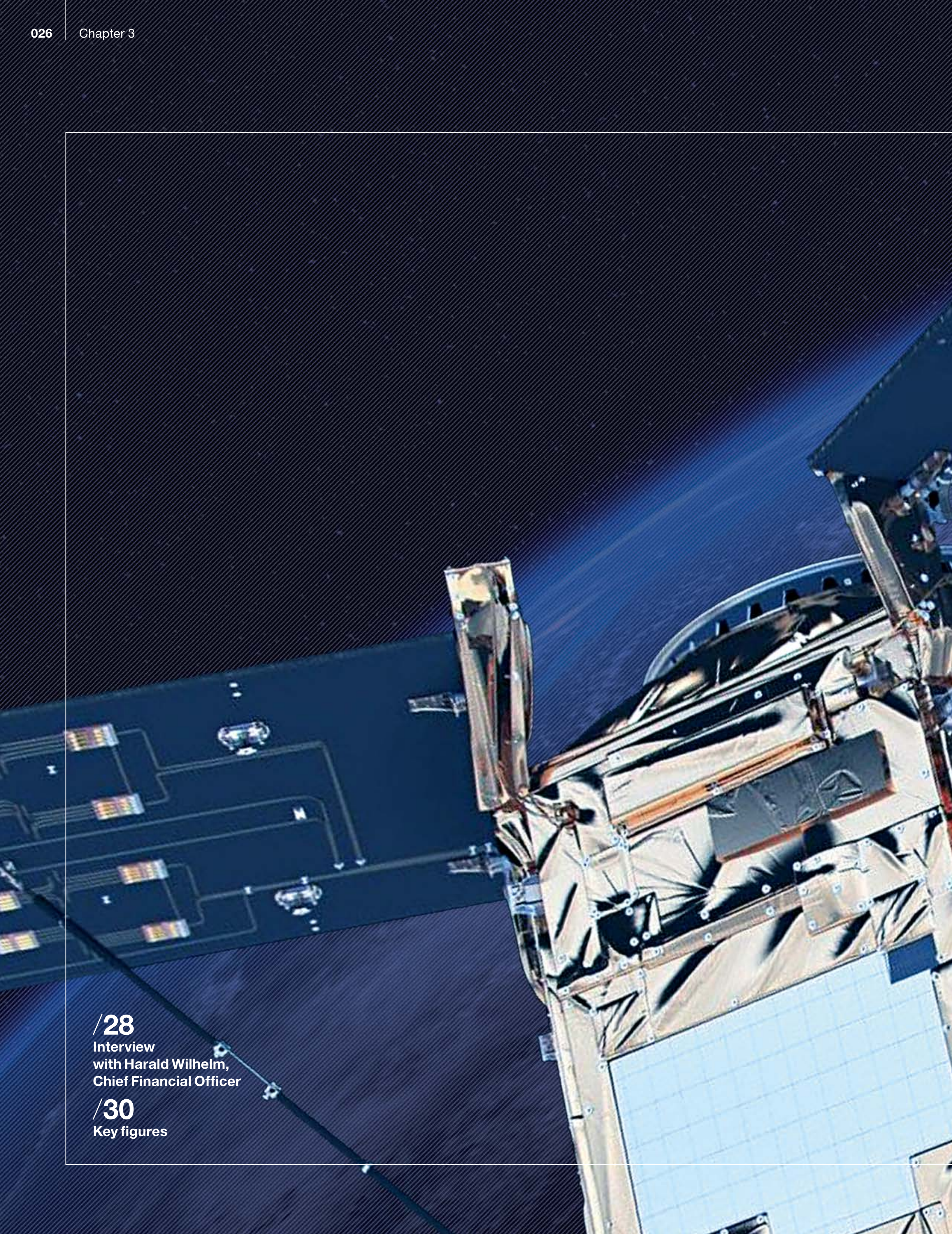
17

When Hurricane Irma devastated the islands of Barbuda, Saint Martin and Saint Barthélemy in September 2017, the Airbus Foundation organized an A350 XWB test aircraft to deliver relief. Flying from Paris to Guadeloupe, it carried 84 medical personnel and 30 tonnes of humanitarian aid on board.

Following the most powerful hurricane ever recorded over the Caribbean, the islands had no electricity or drinking water. Airbus provided the A350 in support of the French Red Cross. In addition, the German, UK and French governments used the A400M to transport emergency goods and personnel to the region while satellite imagery was provided to disaster response organisations. Airbus Aerial provided insurance companies with free initial access to its library of aerial base maps and data analytics to speed the insurance claim process.

After the disaster, Airbus set up donation platforms with several national Red Cross societies. Employees donated over € 35,000 in two weeks in support of the affected communities. The funds helped to support Red Cross actions across the Caribbean.

Since 2008, the Airbus Foundation has coordinated 65 flights to transport 800 tonnes of humanitarian aid, putting its fleet of aircraft at the disposal of its partners, such as the International Red Cross and Red Crescent Movement. In 2017, partnerships with customers resulted in 13 ferry flights, delivering 40 tonnes of aid.



Measuring our results

Sentinel-5 Precursor satellite

Building momentum

Interview with Harald Wilhelm, Chief Financial Officer

From your perspective as CFO, how would you sum up 2017?

We can be well satisfied with the year's performance. To overachieve on all the key performance indicators in the 2017 guidance shows we are delivering on our commitments time and time again and the strength of the Airbus team. If you recall, we forecast over 700 commercial aircraft deliveries, a mid-single-digit percentage rise in underlying earnings, or EBIT Adjusted, and stable free cash flow (FCF) before M&A and customer financing – all based on a stable perimeter. In the end, we surpassed these targets despite some significant operational challenges, with FCF before M&A and customer financing more than doubling. The commercial performance and record backlog by units show both the robustness of the market and the competitiveness of our portfolio.

What drove the improved underlying profit?

Our revenues were stable at €67 billion with higher deliveries of 718 commercial aircraft reduced by around €2 billion from divestments, mainly at Defence and Space. EBIT Adjusted, which reflects the underlying performance, increased by 10% on a comparable basis or 8% on a reported basis. This was ahead of the guidance we gave to the market early in 2017. How did we achieve this? The boost came largely from commercial aircraft where we had the ramp-up in A320 deliveries and an improvement on the A350 programme. More favourable currency hedging rates and lower R&D expenses also contributed positively. The performance at Helicopters was broadly stable, reflecting lower deliveries, an unfavourable mix and lower commercial services. But, the Division's transformation did provide some support in a challenging market. At Defence and Space, the underlying performance was broadly stable on a comparable basis.

How was the reported performance?

In total, we had €832 million in net negative Adjustments to the underlying EBIT Adjusted. The lion's share of that was of course the A400M where we took a €1.3 billion charge for the year following a detailed review in the fourth quarter. Also included was a charge related to compliance and a gain of €604 million from the sale of the Defence Electronics business early in the year. The reported earnings per share were also boosted by a strong positive impact from the technical revaluation of financial instruments and balance sheet items. This was driven by the euro/dollar rate. In addition, there was an adjustment to the A380 Refundable Launch Investment following a review of the commercial assumptions. Looking at the bottom line, we achieved net income of €2.9 billion and EPS of €3.71, both more than twice the 2016 level.

The cash performance seems very strong. What's behind that?

Absolutely! In fact, we generated no less than € 6 billion in cash during the last quarter. We ended the year with €2.9 billion in free cash flow before M&A and customer financing which was a great achievement. Driving this of course were the record aircraft deliveries and our strong focus on working capital and capex. What makes the performance even more impressive is that the

> **"The commercial performance and record backlog by units show both the robustness of the market and the competitiveness of our portfolio."**

Harald Wilhelm
Chief Financial Officer

A400M weighed heavily on cash flow during 2017. That really tells you something about the underlying cash performance of the rest of the business. In addition, we had a very healthy aircraft financing market which compensated for the absence of Export Credit Agency (ECA) financing in the year. We have now agreed a process with the ECAs to resume some ECA-backed financing.

What can we expect in 2018?

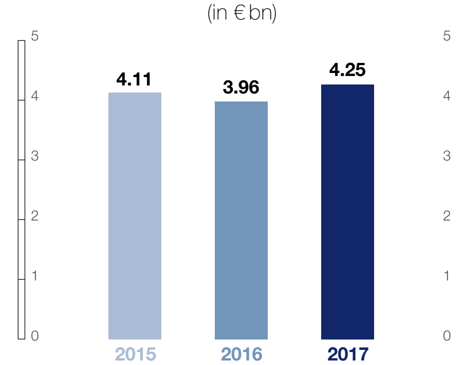
We aim to deliver around 800 commercial aircraft in 2018, which of course depends on the engine makers meeting their commitments. And assuming these 800 aircraft are delivered, we see the EBIT Adjusted, or the underlying performance, increasing by around 20% before M&A. That means going from € 4.3 billion in 2017 to about € 5.1 billion. On top of that we will have a benefit of about € 0.1 billion from the technical switch to the IFRS 15 accounting standard in 2018. This is now the main accounting standard for revenue recognition.

On the cash side, we target a repeat of the strong performance in 2017 with similar free cash flow before M&A and customer financing.

Can shareholders expect a better payout this year?

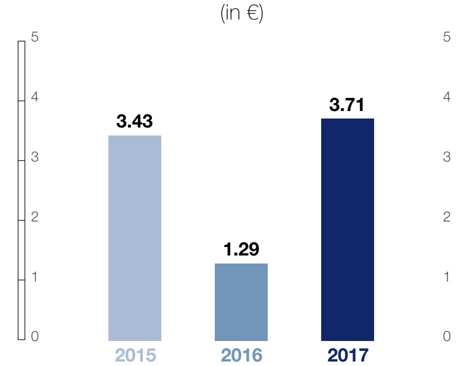
Yes, indeed. The net income of almost € 3 billion is a very solid base to apply our dividend policy at the upper end of the 30%-40% payout ratio range. The Board approved a proposal of €1.50 a share, which is up 11% from 2016. This reflects not only our achievements in 2017 but also our confidence in earnings growth and cash generation in 2018 and beyond. We're steadily building momentum!

EBIT ADJUSTED
(in € bn)



All figures before IFRS 15

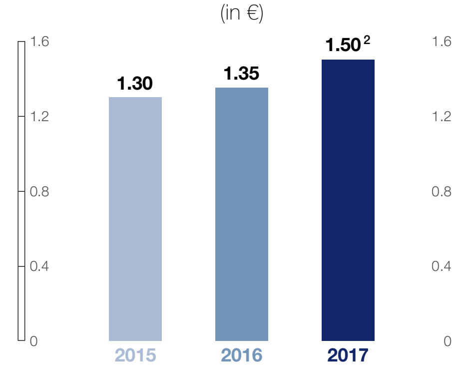
EARNINGS PER SHARE[1]
(in €)



1 FY2017 average number of shares = 773,772,702 compared to 773,798,837 in FY2016.

All figures before IFRS 15.

DIVIDEND PER SHARE
(in €)



2 To be proposed to the Annual General Meeting 2018.

For more detailed information, please refer to the **Registration Document** and **Financial Statements**

2017 key figures

ORDER INTAKE[1]		
€ 158 bn		
2016	€134 bn	+ 17 %

REVENUES		
€ 66.8 bn		
2016	€ 66.6 bn	0 %

ORDER BOOK[1]		
€ 997 bn		
2016	€1,060 bn	- 6 %

EBIT (reported)		
€ 3.4 bn		
2016	€ 2.3 bn	+ 52 %

EARNINGS PER SHARE[2]		
€ 3.71		
2016	€1.29	+ 188 %

DIVIDEND PER SHARE[3]		
€ 1.50		
2016	€1.35	+ 11%

1 Contributions from commercial aircraft activities to Order Intake and Order Book based on list prices.
2 Airbus continues to use the term Net Income. It is identical to Profit for the period attributable to equity owners of the parent as defined by IFRS Rules.
3 To be proposed to the Annual General Meeting 2018.

ORDER BOOK BY REGION[1]

- 22% Europe
- 29% Asia-Pacific
- 20% North America
- 12% Middle East
- 17% Latin America and Other Countries

NET CASH POSITION

€ 13.4 bn

2016	€11.1 bn	+ 20 %

NET INCOME[2]

€ 2.9 bn

2016	€1.0 bn	+ 189 %

R&D EXPENSES

€ 2.8 bn

2016	€3.0 bn	- 5 %

2017 RESULTS

Airbus overachieved on its 2017 guidance for all key performance indicators, driven by a strong underlying performance.

While revenues were stable, EBIT Adjusted increased by 8% to €4.3 billion with EBIT (reported) rising 52% to €3.4 billion. Net income and earnings per share increased by 189% and 188% respectively.


H160

Delivering our priorities

H160

Commercial Aircraft

Airbus Commercial Aircraft exceeded its targets for 2017, with deliveries reaching a record level. The industrial ramp-up made progress, with deliveries increasing significantly on both the A320neo Family and A350 XWB programmes.

FABRICE BRÉGIER[1]
Airbus Chief Operating Officer and President Airbus Commercial Aircraft

718
DELIVERIES

1,109
NET ORDERS (BY UNITS)

7,265
ORDER BACKLOG (BY UNITS)

Jetliner deliveries increased for the 15th year in a row to reach 718 aircraft to 85 customers, beating the publicly stated target of over 700 aircraft. Airlines and leasing companies took delivery of 558 A320 Family aircraft, 67 A330s, 78 A350 XWBs and 15 A380s.

Reflecting strong commercial momentum, new orders booked exceeded deliveries after a flurry of activity late in the year. A total of 1,109 net orders were received (2016: 731) from 44 customers. These included 1,054 single-aisle (A320 Family) aircraft. The final net book-to-bill ratio was 1.5. Once again, Airbus' backlog set a new industry record at the year-end, reaching 7,265 aircraft.

Revenues rose by 3.5% to € 51.0 billion (2016: € 49.2 billion) following the increase in deliveries. EBIT Adjusted increased to € 3.55 billion (2016: € 2.81 billion), reflecting the strong delivery performance supported by improved foreign exchange rates.

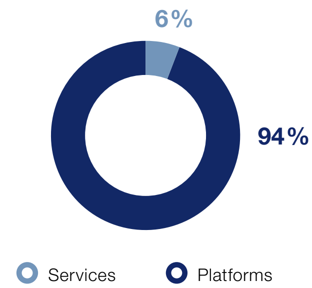
PRODUCTION RAMP-UP

The industrial ramp-up of the A320neo programme made good progress with 181 aircraft delivered, up from 68 in 2016. Deliveries, however, were back-loaded towards the end of the year due to engine issues. The delivery tally for 2017 included the first A321neo. Single-aisle production rates are on track to reach a monthly rate of 60 a month in 2019. On the A350, good progress was made with the industrial ramp-up, recurring cost convergence and the reduction of outstanding work in the Final Assembly Line, which was significantly reduced. The programme is preparing to reach the targeted monthly production rate of 10 by the end of 2018. A total of 78 A350s were delivered in 2017 (2016: 49 aircraft).

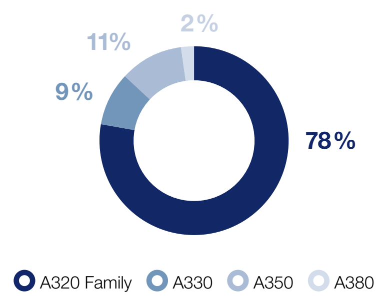
A350-1000 CERTIFIED

The A350-1000 longer-body version was certified during the year by US and European safety authorities, with the first delivery taking place early in 2018. The A330neo made its successful maiden flight in October, passing an important milestone towards the first delivery planned during 2018. Airbus also inaugurated its new A330 Completion and Delivery Centre in Tianjin, China, while structural completion took place for the first Beluga XL transport aircraft. In services, Airbus is significantly enhancing its local presence to be closer to customers.

EXTERNAL REVENUES BY ACTIVITY



DELIVERIES BY PROGRAMME (UNITS)



KEY FINANCIAL FIGURES

€ million	2017	2016	Change
Order Intake (net)	**143,361**	114,938	+24.7%
Order Book	**950,354**	1,010,200	-5.9%
Revenues	**50,958**	49,237	+3.5%
R&D Expenses	**2,011**	2,147	-6.3%
EBIT Adjusted	**3,554**	2,811	+26.4%

1 Fabrice Brégier left Airbus in February 2018. Guillaume Faury has succeeded him as President Commercial Aircraft.

Key achievements 2017

Deliveries increase for the 15th successive year to 718, beating the target of over 700.

181 A320neo Family aircraft delivered, including the first A321neo.

A total of 78 A350s were delivered, up from 49 in 2016.

Order backlog reached 7,265 aircraft at year-end.

The A350-1000 larger variant certified by FAA and EASA.

Maiden flight of wide-body A330neo.

Inauguration of new A330 Completion and Delivery Centre in Tianjin.

Key priorities 2018

Achieve monthly delivery targets as committed to customers.

Achieve single-aisle industrial ramp-up – deliver required capacity and productivity.

Deliver key development milestones on A330neo, A321LR, A350-900 Ultra Long Range and Beluga XL.

Support strategic sales campaigns on all programmes and achieve services growth.

Deliver improvement on financial key performance indicators (KPIs).

Guarantee aircraft quality and eradicate outstanding work along the industrial chain.

Enhance support and services solutions to improve customers' operations and aircraft availability.

Achieve competitiveness targets, deliver cost reduction on A350 XWB and single-aisle.

Improve efficiency in operations and services, including leveraging deployment of Quantum short/medium term digital solutions.

Helicopters

Airbus Helicopters achieved a solid commercial performance, boosted by the competitiveness of its heavy and super-medium helicopters. The Division's industrial transformation brought benefits while good progress was made on innovative new products.

GUILLAUME FAURY[1]
Chief Executive Officer,
Airbus Helicopters

409
DELIVERIES

335
NET ORDERS (BY UNITS)

692
ORDER BACKLOG (BY UNITS)

A total of 409 rotorcraft were delivered in 2017 (2016: 418 units) with net orders of 335 units (2016: 353 units). There was good demand for the market-leading heavy Super Puma Family, driven by military contracts, and also for the super-medium H175. The overall order intake value increased by 8% to €6.54 billion reflecting the product mix and at the end of 2017 the order backlog was worth €11.2 billion (2016: €11.3 billion). By value, the book-to-bill ratio was around 1 while the backlog totalled 692 helicopters on 31 December.

Revenues declined by 3% to € 6.5 billion (2016: €6.7 billion) but were stable on a comparable perimeter (i.e. excluding Vector Aerospace). Civil and military activities represented 51% and 49% of revenues respectively while Platforms made up 56% and Services 44%. EBIT Adjusted declined to €337 million (2016: €350 million) and was also stable on a comparable basis. Lower deliveries, an unfavourable mix and lower commercial flight hours in services were compensated by transformation efforts which have globally supported the Division's competitiveness in a challenging market. The divestment of Vector Aerospace was closed in November.

INDUSTRIAL TRANSFORMATION AND INNOVATION

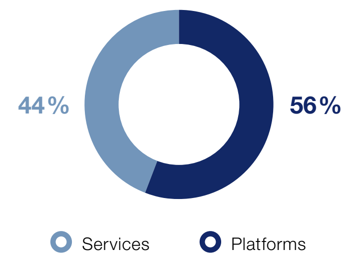
The first stage of Helicopters' industrial transformation, which began in 2014, was completed. The final step in this process was the inauguration of the blade production facility in Paris-Le Bourget. The site is aligned with the site specialisation strategy that integrates the plants at Marignane, Donauwörth and Albacete. Transformation is now moving to a second stage, focusing on digitalisation of products, services and operations.

The H160 development continued with three prototypes flying. Airbus delivered an innovation roadmap to lead the change in future VTOL (Vertical Take-Off and Landing) systems through key technology enablers including electrification and autonomous flight. The 'Racer' demonstrator was unveiled at the Paris Air Show to tackle the challenge of high-speed at the right cost for customers.

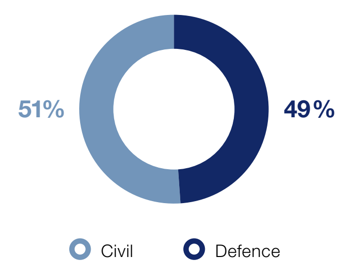
INTERNATIONALISATION

In China, the Company broke ground on its first helicopter assembly line, with initial deliveries set for 2019. Showing its strong presence in North America, the 400th UH-72 Lakota was delivered to the US Army. The year also saw the launch of Airbus Corporate Helicopters, which will offer high-quality designs and specifications to private and business customers.

EXTERNAL REVENUES BY ACTIVITY



EXTERNAL REVENUES BY SECTOR



KEY FINANCIAL FIGURES

€million	2017	2016	Change
Order Intake (net)	**6,544**	6,057	+8.0%
Order Book	**11,201**	11,269	-0.6%
Revenues	**6,450**	6,652	-3.0%
R&D Expenses	**306**	327	-6.4%
EBIT Adjusted	**337**	350	-3.8%

1 Guillaume Faury became President Commercial Aircraft in February 2018. Bruno Even has been appointed the new CEO of Airbus Helicopters.

Key achievements **2017**

Strengthened market leadership in Civil and Parapublic in a challenging market.

Completion of the first chapter of the transformation plan launched in 2014.

Strong commercial performance for the Super Puma Family, driven by military contracts.

Achieved key operational and development milestones.

Achieved implementation of revamped industrial model.

Key priorities **2018**

Keep focusing on increasing customer satisfaction, quality and safety, and competitiveness.

Deliver on operational and financial commitments and development programme milestones.

Execute the transformation ‘wave two’ roadmap focused on digitalisation and new business.

Defence and Space

Airbus Defence and Space booked a healthy level of orders for military aircraft, although the Division's overall order intake reflected its portfolio streamlining. Innovation accelerated with the establishment of an unmanned aerial technology start-up.

DIRK HOKE
Chief Executive Officer,
Airbus Defence and Space

19
A400Ms DELIVERED

22
LIGHT & MEDIUM AIRCRAFT ORDERED

2
LARGE ELECTRIC TELECOM SATELLITES ORDERED IN Q4

Military aircraft orders showed good momentum during 2017, illustrating the competitiveness of Airbus' transport and tanker planes. Demand for large telecommunications satellites was soft globally but two orders were still booked in this key market segment during the fourth quarter. A total of 22 orders were recorded in the light and medium aircraft segment, including the United Arab Emirates' contract for five C295 transport aircraft. Turning to military tankers, Germany and Norway ordered five A330 MRTTs while good momentum was also seen on the Eurofighter programme.

Reported figures were lower after the perimeter changes from portfolio reshaping, mainly reflecting the sale of the Defence Electronics business early in the year. The order intake amounted to € 8.9 billion (2016: € 15.4 billion). At the year end, the order book stood at € 37.4 billion (2016: € 41.5 billion). The Division's book-to-bill by value was around 0.8, reflecting the phasing of campaigns.

The perimeter changes also impacted revenues, removing € 1.7 billion of sales. Yet while reported revenues declined to € 10.8 billion (2016: € 11.9 billion), they were up around 7% on a comparable basis. Similarly, EBIT Adjusted fell to € 872 million (2016: € 1,002 million) after the perimeter change, yet was broadly stable on a like-for-like basis.

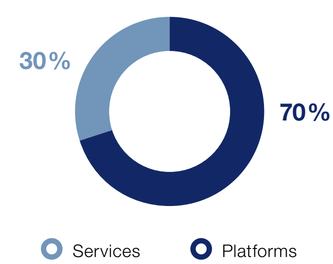
ACCELERATING INNOVATION

After successfully reshaping its business portfolio, the Division has a sharper focus on smarter products, service-based offerings and digital innovation. During the year, OneWeb Satellites inaugurated a production line in Toulouse. Airbus Aerial, a commercial drone start-up, was also established. After initially developing new imagery services, the new unit plans to eventually offer cargo drone services and connectivity via aerial assets.

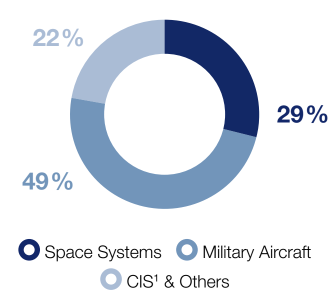
A400M

On the A400M programme, good progress was made on the industrial side with 19 aircraft delivered up from 17 in 2016. This included the 50th delivery of the programme, which was an aircraft produced for the German Air Force. The production rate was adjusted to recalibrate inventory levels while the military capability roadmap was re-baselined. In 2017, Airbus entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent (DoI) in 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 – expected to be signed in 2018 – also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. With a clear roadmap in place, Airbus' remaining exposure going forward is expected to be more limited. A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impact of the adaptions on schedule, capabilities and retrofit resulted in an update of the Loss Making Contract provision of € 1,299 million for the year.

EXTERNAL REVENUES BY ACTIVITY



EXTERNAL REVENUES BY BUSINESS LINE



1 Communications, Intelligence & Security

KEY FINANCIAL FIGURES

€ million	2017	2016	Change
Order Intake (net)	**8,893**	15,393	- 42.2%
Order Book	**37,407**	41,499	- 9.9%
Revenues	**10,804**	11,854	- 8.9%
R&D Expenses	**322**	332	- 3.0%
EBIT Adjusted	**872**	1,002	- 13.0%

Key achievements **2017**

A high level of military aircraft orders included 22 light & medium aircraft.

A OneWeb satellite production line was inaugurated.

Airbus Aerial was set up to develop new imagery services, using drone and satellite technology.

A total of 19 A400Ms were delivered, with Germany taking delivery of the 50th aircraft in the programme.

Key priorities **2018**

Further stabilise the A400M programme, continue enhancing the aircraft's capabilities as agreed with customers.

Deliver products and services on-quality, on-time, on-cost, with zero compromise on safety.

Achieve financial targets, with focus on cash generation and conversion.

Increase customer satisfaction by early and continuous involvement, and track progress in all areas.

Strengthen portfolio in key strategic areas and turn strategic business cases into profitable business.

Accelerate digitalisation and continue to foster innovation, new technologies and new ways of doing business.

Highlights 2017

After an intensive flight test campaign, **the A350-1000** received certification from the European Aviation Safety Agency and Federal Aviation Administration. The first delivery followed in February 2018.

Airbus agreed in October to acquire a majority stake in **Bombardier's C Series aircraft programme.** The partnership brings together two complementary product lines, with demand for new aircraft of 100-150 seats expected to top 6,000 over 20 years.

The A330neo successfully performed its maiden flight. This fuel-efficient aircraft is the latest generation of the market-leading A330 widebody product line. Entry-into-service is planned for 2018.

In 2017, **the Vahana urban air mobility vehicle** was assembled and underwent ground tests. This revolutionary, self-piloted vertical take-off and landing (VTOL) passenger vehicle flew for the first time in January 2018.

The configuration of **the “Racer” high-speed demonstrator rotorcraft** was unveiled at the Paris Air Show. Developed as part of the Clean Sky 2 European research programme, it would have a cruise speed of over 400 km/hour.

Airbus’ A340 laminar flow “BLADE” test demonstrator aircraft made its successful first flight. Part of the EU-sponsored Clean Sky “BLADE” project, the technology aims to reduce wing friction by 50% and CO_2 emissions by up to 5%.

The 50th A400M was delivered, to the German Air Force, marking a key milestone. This new-generation airlifter is fast becoming the backbone of Europe’s military transport fleet.

The Airbus-built EUTELSAT 172B satellite became the first high-capacity satellite to use electric thrusters to reach its final orbit. The satellite’s electric orbit raising was completed just four months after launch.

Share information

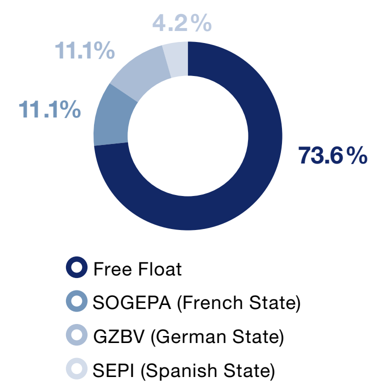
In 2017, Airbus' share price strongly increased and closed at €83.00, up 32 %. It outperformed wider markets and most European aerospace and defence peers, despite an unfavourable FX environment.

After opening at € 62.68 in January, Airbus' shares climbed by 15% to € 72.00 in the first half of the year. In early 2017, the share price increase was driven by the Company's strong 2016 delivery performance together with solid FY 2016 results. Thereafter, overall confidence in the Company's earnings and cash generation potential and A350 ramp-up plan further supported that positive trend, despite ongoing operational challenges. Airbus' Q1 2017 earnings performance and guidance reiteration helped the share price climb further, supported by the French election results in April and May. The commercial performance during the Paris Air Show was perceived as a positive surprise by the market and drove the shares up to € 76.40 during June, before a strengthening EUR vs USD and weaker oil prices put pressure on the share price towards the end of June.

This negative trend initially continued in the second half of 2017 driven by lower than expected Q2 results and increased risk language on engine manufacturers. Airbus' share price remained broadly stable throughout the summer, but in September reassuring messages from Airbus' top management on 2017 delivery targets helped the shares strongly rebound. News flow on compliance topics and lower than expected Q3 deliveries temporarily weighed on the shares. Following the announcement of the Airbus and Bombardier C Series partnership in mid-October, better than expected Q3 results and confirmation of the 2017 guidance, Airbus' share price significantly increased again. Higher oil prices and better performing global markets, driven by the US tax reform, further drove Airbus shares up to their highest closing of the year at € 88.86 in early December. Despite Airbus' all-time record monthly order intake in December, shares fell towards the end of the year, driven by some profit-taking and a strong EUR vs USD at 1.20. With an annual increase of 32%, Airbus shares strongly outperformed the Eurostoxx 600 (+8%) and the CAC40 (+9%) as well as most European aerospace peers.

CAPITAL STRUCTURE

As of 31 December 2017

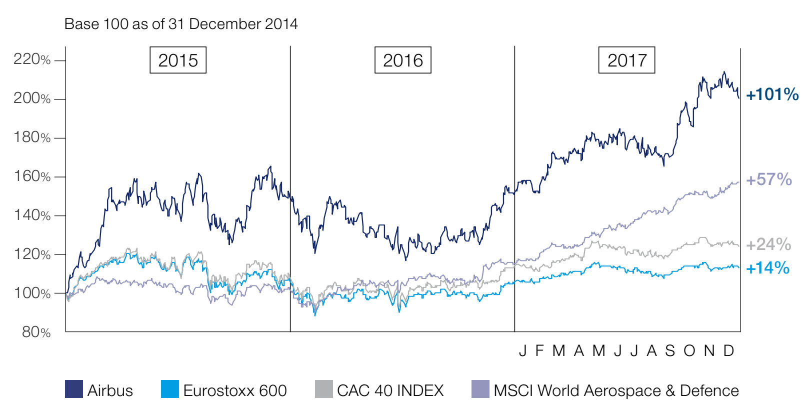


INVESTOR RELATIONS AND FINANCIAL COMMUNICATION

E-mail: ir@airbus.com

Website: www.airbus.com

SHARE PRICE EVOLUTION



FINANCIAL CALENDAR

FULL-YEAR 2017 RESULTS RELEASE
15 February 2018

ANNUAL GENERAL MEETING 2018
11 April 2018

FIRST QUARTER 2018 RESULTS RELEASE
27 April 2018

HALF-YEAR 2018 RESULTS RELEASE
26 July 2018

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AIRBUS

2017

Registration Document

Airbus SE (the "**Company**") is a European public company (*Societas Europaea*), with its seat in Amsterdam, The Netherlands, which is listed in France, Germany and Spain. The applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this Registration Document (the "**Registration Document**").

In 2017, there were no changes to the segment reporting. Nevertheless as a result of the relabelling to a single Airbus brand, the Company together with its subsidiaries is referred to as "**Airbus**" and no longer the Group. Consequently, the segment formerly known as Airbus is referred to as "**Airbus Commercial Aircraft**" for the purpose of 2017 financial reporting. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.2 Reportable Business Segments".

In addition to historical information, this Registration Document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "project", "predict", "will", "should", "may" or other variations of such terms, or by discussion of strategy. These statements relate to the Company's future prospects, developments and business strategies and are based on analyses or forecasts of future results and estimates of amounts not yet determinable. These forward-looking statements represent the view of the Company only as of the dates they are made, and the Company disclaims any obligation to update forward-looking statements, except as may be otherwise required by law. The forward-looking statements in this Registration Document involve known and unknown risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted or suggested herein. These include changes in general economic and business conditions, as well as the factors described under "Risk Factors" below.

This Registration Document was prepared in accordance with Annex 1 of EC Regulation No. 809 / 2004, filed in English with, and approved by, the *Autoriteit Financiële Markten* (the "AFM") on 28 March 2018 in its capacity as competent authority under the *Wet op het financieel toezicht* (as amended) pursuant to Directive 2003 / 71 / EC. This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003 / 71 / EC only if it is supplemented by a securities note and a summary approved by the AFM.

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2017

Risk Factors

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.

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. Although the terms of the UK's post-Brexit relationship with the EU are still unknown, the Company may be affected by potentially divergent national laws and regulations between the EU and the UK. This may include greater restrictions on the importing and exporting of goods and services between the UK and EU countries in which the Company operates along with costly new tariffs and increased regulatory and legal complexities. The free movement of people and skilled labour may also be limited by new border controls.

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.

See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.7 Hedging Activities" for a discussion of the Company's foreign currency hedging strategy. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements" for a summary of the Company's accounting treatment of foreign currency hedging transactions.

* Unless otherwise indicated, EBIT figures presented in this report are Earning before Interest and Taxes. It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

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.

Due to the suspension of Export Credit Agency financing, there is a risk that additional customer financing will need to be provided, which could increase the customer financing exposure. See "— Legal Risks" and "— Information on Airbus Activities — Section 1.1.7 Legal and Arbitration Proceedings".

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.

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 outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations 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, 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.

All of the above mentioned risks are heightened in the context of greater use of cloud services, 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 is applied by the Company to monitor such exposures and to ensure that appropriate mitigation plans or fall-back solutions are available for deliveries from zones considered to be at risk. Despite these measures, the Company remains exposed to interrupted deliveries from suppliers impacted by such events, 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 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. See "— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.3 Significant programme developments, restructuring and related financial consequences in 2015, 2016 and 2017". 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

Since 1992, the EU and the US have 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 sought to unilaterally withdraw 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. The terms and conditions of any new agreement, or the final outcome of the formal WTO 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 European Commission and 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.

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: the transition from A320ceo (current engine option) to A320neo (new engine option) that began in 2016 continued with 181 deliveries in 2017; 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.

A400M programme. In 2017, Airbus continued with development activities toward achieving the technical capabilities. In addition, Airbus entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 5 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. For more information on the DOI, see "— Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Programme Developments, Restructuring and Related Financial Consequences in 2015, 2016 and 2017 — 2.1.1.3".

Challenges remain on development of contractual technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions. The key capabilities to be achieved remain cargo management and aerial delivery, self-defence and protection, and air to air refuelling. In addition, the A400M programme continues to face challenges in the management of the retrofit campaign as well as providing support to enable high levels of in-service availability.

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; managing 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 to ensure entry in service; 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: secure future order flow; ramp down the yearly production rate towards deliveries in 2019 and further reduce fixed costs to the new delivery level; make continued improvements to lower the resources and costs associated with designing each customised Head of Version aircraft for customers; 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 first flight took place in 2017 with attention on the engine development.

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; providing assistance to the investigation team and the authorities ahead of the publication of the final accident report; working with the relevant stakeholders to allow the return to service of aircraft, following-up with retrofits and dealing with customer claims.

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 Company is working on the certification of the Public Services variant and the delivery of the 3 first H175 in Public Services configuration planned for 2018, as well as on the maturity plan of the aircraft and with the associated industrial ramp-up.

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.

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.

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
- three principal joint ventures: MBDA, ATR and ArianeGroup.

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. See "— Information on Airbus Activities — 1.1.7 Legal and Arbitration Proceedings".

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. In addition to the temporary suspension of export credit financing, 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. See "— Information on Airbus Activities — 1.1.7 Legal and Arbitration 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 — 1.1.8.4(a) Responsible Business — Ethical Business Practices".

4. Industrial and Environmental 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 the contributions of its operations and activities on society.

Chapter 1

1

Information on Airbus Activities

1.1 Presentation of the Company

1.1.1 Overview

Due to the nature of the markets in which the Company operates and the confidential nature of its businesses, any statements with respect to the Company's competitive position set out in paragraphs 1.1.1 through 1.1.5 below have been based on the Company's internal information sources, unless another source has been specified below.

With consolidated revenues of €66.8 billion in 2017, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. 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 2017, it generated 85% of its total revenues in the civil sector (compared to 83% in 2016) and 15% in the defence sector (compared to 17% in 2016). As of 31 December 2017, Airbus' active headcount was 129,442 employees.

Strategy

In 2017, the Company has further pushed forward its restructuring, in accordance with the strategy introduced in 2013 and summed up in the statement "*we make it fly*".

The Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus. The merger of Airbus Group and Airbus paves the way for an overhaul of the corporate set-up, simplifies the Company's governance, eliminates redundancies and supports further efficiencies, while at the same time driving further integration of the entire Group. The Company changed its name to Airbus SE. The two Divisions, "Defence and Space" and "Helicopters" remain integral parts of the Company and will derive considerable benefit from the merger 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 defence electronics business. The divestment is part of the strategic review of the Airbus Defence and Space business portfolio.

Airbus Helicopters also reshaped its portfolio and divested its Vector Aerospace business.

The eight strategic 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, rather than attempting to rely on a balanced Group portfolio. Focus upon on-time, on-cost and on-quality deliveries is paramount given the huge backlog execution challenge. Airbus aims to further strengthen through focusing on digitalisation, innovation, services and a more global approach.

2. **Preserve leading position in European defence, space and government markets by focusing on military aircraft, missiles, space and related services**

   Defence can no longer be a tool to manage and hedge against commercial cycles, but the Company seeks to remain strong and actively shape its defence, space and governmental business. The focus will involve (i) developing high-performing businesses such as missiles, launchers, combat and transport aircraft, entering into new growth areas when they are backed by government funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve Airbus' positioning on export markets.

   In 2017, Airbus Aerial, a new drone service business, was launched. The new company, based in the US, leverages some of Airbus Defence and Space key competencies (satellite imagery, data analytics, small & high-altitude UAV and cloud computing) to analyse and distribute powerful, actionable data to customers.

Airbus is working with its customers to define and address the future of European air combat, in addition to future air power more broadly.

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.

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) achieving 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 has initiated a wide-reaching digital transformation programme called Quantum. Quantum is the programme that drives Airbus' digital transformation. Scaling up and accelerating proven digital initiatives, to deliver breakthroughs in end-to-end operational performance and customer satisfaction across our business; it is also about accelerating innovation and growth through both new services and business models. Quantum is fundamental to Airbus success, now and into the future.

   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 third 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) and business aspects (disruptive strategy, on-demand helicopter transport, policy making support) and has become a precursor in the field. But the race for entry into service of the first fully certified transport system has just begun.

5. **Adapt to a more global world as well as attract and retain global talents**

   With over 75% of our backlog and 70% of our revenues coming from outside Europe, Airbus is, more than ever, a global company. The constant effort to globalise our businesses, especially in countries with substantial growth, has paid off. This global footprint is also reflected in the diversity of our staff and skills. Locally, products may need to be adapted and will have to be serviced, but the main logic going forward is that the industry will retain its "global products for local markets" dynamic. Greenfield approaches have proven to give Airbus a controlled entry and real citizenship, whilst partnerships and acquisitions are complementary tools.

6. **Focus services on and around the Company's platforms**

   The strategy going forward is to focus on services where Airbus 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 in the still growing fleet, which will include about 600 Eurofighters, over 150 A400M aircraft, around 500 NH90s and over 150 Tiger helicopters. In Commercial Aircraft, the installed base is expanding rapidly, and new innovative services (power by the hour, maintenance, training) are being offered successfully.

7. **Strengthen the value chain position**

   Airbus' core capability is to master programme management and architect / integrator capabilities in order to market, design, develop, manufacture and service large-scale aeronautics / space platforms and integrated systems. As Airbus is based on a strong platform prime role, managing the supplier base towards delivering to the final customer is key. We aim to strengthen and optimise selected strategic value chain areas to protect our intellectual property, manage risks, increase profit, access services 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 re-assesses its make or buy strategy and M&A strategy to better control its strategic know how and capture more of the value chain. Airbus launched Nacelle In-Sourcing for A320 UTAS nacelles in order to build competence in Ultra-high Bypass Ratio engine integration, where the integration itself will provide a significant part of future performance gain.

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 are expected to 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 further strategic moves. As a prerequisite, the Company must remain attractive for investors, notably compared to its peers.

Organisation of Airbus' Businesses

In 2017, the Company organised its businesses into the following three operating segments: (i) Commercial Aircraft, (ii) Helicopters and (iii) Defence and Space. However, as a continuation of a number of integration and normalisation steps that took place in 2012, 2013 and 2015, the Company is now merging its Group structure with its largest division Commercial Aircraft. The merger began mid-2017 and provided the opportunity to introduce a single Airbus brand for the Company and all its entities, effective since January 2017. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries is referred to as "Airbus" and no longer the "Group", and the segment formerly known as Airbus is referred to as "Airbus Commercial Aircraft". In this new set-up, Airbus retains Airbus Defence and Space and Airbus Helicopters as Divisions. The chart set out in "— General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart" illustrates the allocation of activities.

Commercial Aircraft

Airbus Commercial Aircraft is one of the world's leading aircraft manufacturers of passenger airliners, ranging in capacity from 100 to more than 600 seats. Across all its aircraft families Airbus Commercial Aircraft's unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines.

Since it was founded in 1970 and up to the end of 2017, Airbus Commercial Aircraft has received orders for 18,191 commercial aircraft from 399 customers around the world. In 2017, Airbus Commercial Aircraft delivered 718 aircraft (compared to 688 deliveries in 2016) and received 1,229 gross orders (compared to 949 gross orders in 2016), or 50% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats (compared to 54% in 2016). After accounting for cancellations, net order intake for 2017 was 1,109 aircraft (compared to 731 aircraft in 2016). As of 31 December 2017, Airbus Commercial Aircraft's backlog of commercial orders was 7,265 aircraft (compared to 6,874 aircraft in 2016).

In 2017, Airbus Commercial Aircraft recorded total revenues of €50.96 billion – representing 75% of Airbus' revenues. See "— 1.1.2 Commercial Aircraft".

Helicopters

Airbus Helicopters is a global leader in the civil and military rotorcraft market, offering one of the most complete and modern ranges of helicopters and related services. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy rotorcraft, which are adaptable to all kinds of mission types based on customer needs.

Airbus Helicopters delivered 409 helicopters in 2017 (418 in 2016) and received 335 net orders in 2017 (compared to 353 net orders in 2016). Order intake amounted to €6.54 billion (2016: €6.06 billion). Civil contracts accounted for 49% of this order volume, with military sales representing the remaining 51%. At the end of 2017, Airbus Helicopters order book stood at 692 helicopters (2016: 766 helicopters).

In 2017, Airbus Helicopters recorded total revenues of €6.45 billion, representing 9% of Airbus' revenues. See "— 1.1.3 Helicopters".

Defence and Space

Airbus Defence and Space is Europe's number one defence and space enterprise, the second largest space business worldwide and among the top ten global defence enterprises. Defence and Space puts a strong focus on core businesses: space, military aircraft, missiles and related systems and services.

Airbus Defence and Space is organised in four Programme Lines: Military Aircraft; Space Systems; Communications, Intelligence & Security (CIS); and Unmanned Aerial Systems (UAS). It develops and engineers cutting-edge products in the field of defence and space, enabling governments, institutions and commercial customers alike to protect resources and people while staying connected to the world. Airbus Defence and Space solutions guarantee sovereignty in foreign affairs and defence matters.

In 2017, Airbus Defence and Space recorded total revenues of €10.8 billion, representing 16% of Airbus' revenues. See "— 1.1.4 Defence and Space".

Summary Financial and Operating Data

The following tables provide summary financial and operating data for Airbus for the past three years.

CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Airbus Commercial Aircraft	50,958	49,237	45,854
Airbus Helicopters	6,450	6,652	6,786
Airbus Defence and Space	10,804	11,854	13,080
Total Divisional revenues	**68,212**	**67,743**	**65,720**
Other / HQ / Consolidation(1)	(1,445)	(1,162)	(1,270)
Total	**66,767**	**66,581**	**64,450**

(1) "Other / HQ / Consolidation" comprises the holding function of Airbus, the Airbus Bank and other activities not allocable to the reportable segments, combined together with consolidation effects.

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount in €bn	*In percentage(1)*	*Amount in €bn*	*In percentage(1)*	*Amount in €bn*	*In percentage(1)*
Europe	17.0	25.4%	21.4	32.1%	20.1	31.1%
North America	12.6	18.9%	8.9	13.4%	10.2	15.9%
Asia / Pacific	24.8	37.2%	21.3	32.0%	18.8	29.1%
Rest of the World(2)	12.4	18.5%	15.0	22.5%	15.4	23.9%
Total	**66.8**	**100%**	**66.6**	**100%**	**64.5**	**100%**

(1) Percentage of total revenues after eliminations.
(2) Including the Middle East.

CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount in €bn	*In percentage(1)*	*Amount in €bn*	*In percentage(1)*	*Amount in €bn*	*In percentage(1)*
Orders booked(2)						
Airbus Commercial Aircraft(3)	143.4	90.3%	114.9	84.3%	139.1	87.1%
Airbus Helicopters	6.5	4.1%	6.1	4.4%	6.2	3.9%
Airbus Defence and Space	8.9	5.6%	15.4	11.3%	14.4	9.0%
Total Divisional orders	158.8	**100%**	136.4	**100%**	**159.7**	**100%**
Other / HQ / Consolidation	(1.1)		(1.9)		(0.7)	
Total	**157.7**		**134.5**		**159.0**	

(1) Before "Other / HQ / Consolidation".
(2) Without options.
(3) Based on catalogue prices for commercial aircraft activities.

CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015[1]

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount in €bn	*In percentage[2]*	*Amount in €bn*	*In percentage[2]*	*Amount in €bn*	*In percentage[2]*
Airbus Commercial Aircraft[3]	950.4	95.1%	1,010.2	95.0%	952.4	94.6%
Airbus Helicopters	11.2	1.1%	11.3	1.1%	11.8	1.2%
Airbus Defence and Space	37.4	3.8%	41.5	3.9%	42.9	4.2%
Total Divisional backlog	**999.0**	**100%**	**1,063.0**	**100%**	**1,007.1**	**100%**
Other / HQ / Consolidation	(2.2)		(2.6)		(1.2)	
Total	**996.8**		**1,060.4**		**1,005.9**	

(1) Without options.
(2) Before "Other / HQ / Consolidation".
(3) Based on catalogue prices for commercial aircraft activities.

Relationship between Airbus SE and Airbus

In line with the previous organisational structure, Airbus SE itself does not engage in the core aerospace, defence or space business of Airbus but coordinates related businesses, sets and controls objectives and approves major decisions for Airbus. As the parent company, Airbus SE conducts activities which are essential to Airbus' activities and which are an integral part of the overall management of Airbus. In particular, finance activities pursued by Airbus SE are in support of the business activities and strategy of Airbus. In connection therewith, Airbus SE provides or procures the provision of services to the subsidiaries of Airbus. General management service agreements have been put in place with the subsidiaries and services are invoiced on a cost plus basis.

For management purposes, Airbus SE acts through its Board of Directors, Executive Committee, and Chief Executive Officer in accordance with its corporate rules and procedures as described below under "— Corporate Governance — 4.1 Management & Control".

Within the framework defined by Airbus SE, each Division, Business Unit and subsidiary is vested with full entrepreneurial responsibility.

1.1.2 Commercial Aircraft

Airbus Commercial Aircraft is one of the world's leading aircraft manufacturers of passenger airliners. Airbus Commercial Aircraft helps to shape the future of air transportation and drive steady growth around the world. Airbus Commercial Aircraft seeks incremental innovative technological solutions and the most efficient sourcing and manufacturing possible – so airlines can grow and people can connect. Airbus Commercial Aircraft's comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 600 seats: the single-aisle A320 Family, which is civil aviation's best-selling product line; the A330 Family; the new-generation widebody A350 XWB; and the flagship double-deck A380. Across all its aircraft families Airbus Commercial Aircraft's unique approach ensures that aircraft share high commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines. See "— 1.1.1 Overview" for an introduction to Airbus Commercial Aircraft.

Airbus Commercial Aircraft's global presence includes, on top of France, Germany, Spain and the United Kingdom, fully-owned subsidiaries in the United States, China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubaï and Singapore. Airbus Commercial Aircraft also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also 15 hubs and 143 field service stations around the world. Airbus Commercial Aircraft also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers around the world.

Strategy

Airbus Commercial Aircraft's primary goal is to deliver strong results in a sustained manner, while commanding a further increased share of the worldwide commercial aircraft market over the long-term and expanding its customer services offering. To achieve these goals, Airbus Commercial Aircraft is actively:

Developing the Most Comprehensive Line of Products in Response to Customer Needs

Airbus Commercial Aircraft continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product line. The A330neo (new engine option) is one of the evolutions to the A330 Family and the A320neo (new engine option) is one of many product upgrades to the A320 Single-Aisle Family to maintain its position as the most advanced and fuel-efficient single-aisle aircraft family.

Airbus Commercial Aircraft is also currently pursuing (i) development and production on the A350 XWB programme, and (ii) research on the development of new aircraft in the short-range, medium-range and long-haul segments.

To support the A350 XWB ramp-up and other production increases, a new super transporter is under development, with the first of five Beluga XL aircraft to enter into service in 2019.

Expanding its Customer Services Offering

Airbus Commercial Aircraft seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers' evolving needs. As a result, Airbus Commercial Aircraft has developed a wide range of value-added and customised services which customers can select based on their own make or buy policy and needs. This approach provides Airbus operators with solutions to significantly reduce their operating costs, increase aircraft availability and enhance the quality of their operations.

Building a Leaner, More Fully Integrated Company

In order to build a leaner, more fully integrated company and thereby bolster its competitiveness, Airbus Commercial Aircraft is adapting its organisation to foster an entrepreneurial spirit and empower more teams, while maintaining harmonised processes across all sites. For series programmes, additional responsibilities and means have been delegated to plants for delivery at increased rates. Airbus also has become a more integrated company, working towards one common culture across its global workforce, as well as aligning processes and planning with the global supplier base.

Market

Market Drivers

The main factors affecting the commercial aircraft market include passenger demand for air travel, cargo activity, economic growth cycles, oil prices, national and international regulation (and deregulation), the rate of replacement and obsolescence of existing fleets and the availability of aircraft financing sources. The performance, competitive posture and strategy of aircraft manufacturers, airlines, cargo operators and leasing companies as well as wars, political unrest, pandemics and extraordinary events may also precipitate changes in demand and lead to short-term market imbalances.

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the first and third most important markets by aircraft delivery value, respectively, in the next twenty years. As a result, Airbus Commercial Aircraft has sought to strengthen its commercial and industrial ties in these countries. New aircraft demand from airlines in the Middle East has also become increasingly important, as they have rapidly executed strategies to establish a global presence and to leverage the benefits the region can deliver.

The no-frills / low-cost carriers also constitute a significant sector, and are expected to continue growing around the world, particularly in Asia, where emerging markets and continued deregulation should provide increased opportunities. While single-aisle aircraft continue to be a popular choice for these carriers, demand for Airbus Commercial Aircraft's range of twin-aisle aircraft may also increase as some of these carriers develop or further develop their long-range operations.

Overall growth. The long-term market for passenger aircraft depends primarily on passenger demand for air travel, which is itself primarily driven by economic or GDP growth, fare levels and demographic growth. Measured in revenue passenger kilometres, air travel increased in every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered.

At the end of 2008 and in 2009, the financial crisis and global economic difficulties witnessed resulted in only the third period of negative traffic growth during the jet age, and a cyclical downturn for airlines in terms of traffic (both passenger and cargo), yields and profitability.

More recently, air travel demand growth has gained solid momentum, supported by the ongoing improvement in global economic conditions throughout the year. World real GDP growth is projected to be at 2.7% in 2017, an acceleration from the 2.4% in 2016, and is expected to further strengthen to 2.9% in 2018. The upward trend was driven by the strengthening investment in advanced economies as well as the recovery in emerging market and developing economies owing to the increased export demand. The lower air fares owing to the low fuel price also continued to stimulate traffic growth, albeit at a more moderate level compared to 2016.

Preliminary figures released at the end of 2017, by the International Civil Aviation Organisation (ICAO), confirmed that some 4.1 billion passengers made use of the global air transport network for their business, tourism needs or for simply visiting friends and relatives (VFR) in 2017. The annual passenger total is up 7.1% compared to 2016 and the number of departures rose to approximately 37 million globally. World passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 7.6% with approximately 7.7 trillion revenue passenger kilometres performed.

In the long-term, Airbus Commercial Aircraft believes that air travel remains a growth business. Based on internal estimates, Airbus Commercial Aircraft anticipates a growth rate of 4.4% annually during the period 2017-2036. If the actual growth rate equals or exceeds this level, Airbus Commercial Aircraft expects that passenger traffic, as measured in revenue passenger kilometres, would more than double over the forecast period.

Cyclicality. Despite an overall growth trend in air travel, aircraft order intake can vary significantly from year to year and within different regions, due to the volatility of airline profitability, cyclicality of the economy, aircraft replacement waves and occasional unforeseen events which can depress demand for air travel. However, new product offerings and growth across the market has resulted in good levels of order activity in recent years. In the last seven years, order totals exceeded record Airbus Commercial Aircraft deliveries thus strengthening both order book and backlog totals.

Despite some cyclicality in airline demand, Airbus Commercial Aircraft aims to secure stable delivery rates from year to year, supported by a strong backlog of orders and a regionally diverse customer base. At the end of 2017, the backlog stood at 7,265 aircraft, representing around nine years of production at current rates. Through careful backlog management, close monitoring of the customer base and a prudent approach to production increases, Airbus Commercial Aircraft has successfully increased annual deliveries for 15 years running, even through the economic crisis of 2008-2009.

Regulation / Deregulation. National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the US deregulated its domestic air transportation system, followed by Europe in 1985. The more recently negotiated "Open Skies Agreement" between the US and Europe, which became effective in 2008, allows any European or US airline to fly any route between any city in the EU and any city in the US. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the creation and growth of new airlines or new airline models, as has been the case with the no-frills / low-cost airline model, which has increased in importance throughout major domestic and intra-regional markets since deregulation (*e.g.*, in the US and Europe).

Airline network development: "hub" and "point-to-point" networks. Following deregulation, major airlines have sought to tailor their route networks and fleets to continuing changes in customer demand. Accordingly, where origin and destination demand prove sufficiently strong, airlines often employ direct, or "point-to-point" route services. However, where demand between two destinations proves insufficient, airlines have developed highly efficient "hub and spoke" systems, which provide passengers with access to a far greater number of air travel destinations through one or more flight connections.

The chosen system of route networks in turn affects aircraft demand, as hubs permit fleet standardisation around both smaller aircraft types for the short, high frequency and lower density routes that feed the hubs (between hubs and spokes) and larger aircraft types for the longer and higher density routes between hubs (hub-to-hub), themselves large point-to-point markets. As deregulation has led airlines to diversify their route network strategies, it has at the same time therefore encouraged the development of a wider range of aircraft in order to implement such strategies (although the trend has been towards larger-sized aircraft within each market segment as discussed below).

Airbus Commercial Aircraft, like others in the industry, believes that route networks will continue to grow through expansion of capacity on existing routes and through the introduction of new routes, which will largely be typified by having a major hub city at least at one end of the route. These new route markets are expected to be well served by the latest product offering, the A350 XWB. In addition, the A380 has been designed primarily to meet the significant demand between the major hub cities, which are often among the world's largest urban centres (such as London, Paris, New York and Beijing). Airbus Commercial Aircraft has identified 58 major hub cities in its current market analysis, with this number expected to grow to over 95 by 2036. Airbus Commercial Aircraft believes that it is well positioned to meet current and future market requirements given its complete family of products.

Alliances. The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, one-third of the world's jetliner seats being flown today are operated by just 15 airlines. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members' hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access.

Market Structure and Competition

Market segments. According to a study conducted by Airbus Commercial Aircraft, nearly 19,000 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2017. Currently, Airbus Commercial Aircraft competes in each of the three principal market segments for aircraft with more than 100 seats.

"Single-aisle" aircraft, such as the A320 Family, have 100 to more than 200 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes.

"Wide-body" aircraft, such as the A330 / A350 XWB Families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330 / A350 XWB Families are capable of serving all short- to long-range markets.

"Very large aircraft", such as the A380 Family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines, although such aircraft can also be used over shorter ranges in high-density (including domestic) markets.

Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See "— Regional Aircraft, Aerostructures, Seats and Aircraft Conversion — EFW".

Airbus Commercial Aircraft also competes in the corporate, VIP business jet market with the ACJ.

Airbus Corporate Jets (ACJ) creates the world's most rewarding flying experiences with customers by providing them with unique expertise, the finest service, best technology and highest standards of care in corporate aviation.

Airbus continues to develop corporate jet versions of its modern airliner family, notably the ACJ319neo and ACJ320neo, as well as offering new variants, such as the ACJ330neo and ACJ350 XWB. The increased range of these aircraft extends Airbus' leadership in cabin comfort to even longer flights.

Airbus' ACJ319neo will fly eight passengers 6,750 nm/12,500 km or 15 hours, while the ACJ350 XWB can transport 25 passengers for 10,800 nm/20,000 km or 22 hours.

An ACJ Service Centre Network is progressively being implemented, building on the Company's philosophy of customer care.

More than 180 Airbus corporate jets are in service with companies, individuals and governments, and they are flying on every continent, including Antarctica.

Geographic differences. The high proportion of single-aisle aircraft in use in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe, the Asia-Pacific region uses a greater proportion of twin-aisle aircraft, as populations tend to be more concentrated in fewer large urban centres. The tendency towards use of twin-aisle aircraft is also reinforced by the fact that many of the region's major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight. However, Airbus Commercial Aircraft believes that demand for single-aisle aircraft in Asia will grow over the next 20 years, particularly as domestic markets in China and India and low-cost carriers continue to develop in the region. Aircraft economics will also help to drive aircraft size, with airlines looking to reduce the cost per seat through higher density aircraft cabins and the use of larger aircraft types and variants where possible.

Competition. Airbus Commercial Aircraft has been operating in a duopoly since Lockheed's withdrawal from the market in 1986 and Boeing's acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats has been divided between Airbus Commercial Aircraft and Boeing. According to the manufacturers' published figures for 2017, Airbus Commercial Aircraft and Boeing, respectively, accounted for 48% and 52% of total commercial aircraft deliveries, 55% and 45% of total net orders (in units), and 55% and 45% of the total year-end backlog (in units). Airbus Commercial Aircraft's deliveries (718 in 2017) were the 15th year in a row of increased production.

Nevertheless, the high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, and besides Boeing, Airbus Commercial Aircraft faces aggressive international competitors who are intent on increasing their market share. Regional jet makers Embraer and Bombardier, coming from the less than 100-seat commercial aircraft market, continue to develop larger airplanes (such as the new E190-E2 programme launched by Embraer). Additionally, other competitors from Russia, China and Japan will enter the 70- to 150-seat aircraft market over the next few years, and today are studying larger types.

In October 2017, Airbus SE and Bombardier Inc. agreed to form a partnership in relation to the C-Series. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction. Completion of the transaction is currently expected for the second half of 2018.

Customers

As of 31 December 2017, Airbus Commercial Aircraft had 399 customers and a total of 18,191 Airbus aircraft had been ordered, of which 10,926 aircraft had been delivered to operators worldwide. The table below shows Airbus Commercial Aircraft's largest commitments in terms of total gross firm orders by customer for the year 2017.

Customer	Firm orders(1)
Wizz Air Hungary	156
Delta Air Lines	145
Frontier Airlines	134
GECAS	110
Volaris	80

(1) Options are not included in orders booked or year-end backlog.

Products and Services

The Family Concept — Commonality across the Fleet

Airbus Commercial Aircraft's aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments, meaning that all new-generation aircraft share the same cockpit design, fly-by-wire controls and handling characteristics. Pilots can transfer among any aircraft within the Airbus Commercial Aircraft family with minimal additional training. Cross-crew qualification across families of aircraft provides airlines with significant operational flexibility. In addition, the emphasis on fleet commonality permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling. The extent of cockpit commonality within and across families of aircraft is a unique feature of Airbus Commercial Aircraft that, in management's opinion, constitutes a sustainable competitive advantage.

In addition, technological innovation has been at the core of Airbus' strategy since its creation. Each product in the Airbus Commercial Aircraft family is intended to set new standards in areas crucial to airlines' success, such as cabin comfort, cargo capacity performance, economic performance, environmental impact and operational commonality. Airbus Commercial Aircraft innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry.

A320 Family. With more than 14,000 aircraft sold, of which 5,995 A320neo (new engine option) Family, and nearly 8,000 delivered (of which 249 A320neo family), Airbus' family of single-aisle aircraft, based on the A320, includes the A319 and A321 derivatives, as well as the corporate jets family (including new members ACJ319neo and ACJ320neo). Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also been extended to the vertical stabiliser. The A320 Family's competitor is the Boeing 737 series.

To ensure this market leader keeps its competitive edge, Airbus Commercial Aircraft continues to invest in improvements across the product line, including development of the A320neo Family. The A320neo incorporates many innovations including latest generation engines, Sharklet wing-tip devices and cabin improvements, which together will deliver up to 20% in fuel savings by 2020. The A320neo received joint Type Certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in November 2015. The A320neo with Pratt & Whitney engines was the first variant in the Neo Family to receive Type Certification. The A320neo with CFM engines was certified in May 2016. The A321neo with Pratt & Whitney engines received Joint Type Certification in December 2016 and with CFM engines in March 2017. Type Certifications for the A319neo in both engine variants will follow.

The A320neo Family versions have over 95% airframe commonality with the A320ceo (current engine option) versions, enabling them to fit seamlessly into existing A320 Family fleets – a key factor for Airbus Commercial Aircraft customers and operators who have taken delivery of nearly 8,000 A320 Family aircraft so far.

With 5,995 firm orders received from 98 customers since its launch in December 2010, the A320neo Family has captured 57% of the market to the end of 2017.

In October 2015, Airbus Commercial Aircraft announced the decision to further increase the production rate of the Single Aisle Family to 60 aircraft a month in mid-2019, in response to strong customer demand and following thorough studies on production ramp-up readiness in the supply chain and in Airbus Commercial Aircraft's facilities.

In 2017, Airbus Commercial Aircraft received 1,160 gross orders for the A320 Family of aircraft (1,054 net orders), and delivered 558 aircraft (including 181 A320neo family aircraft).

The first A321neo powered by CFM engines was delivered in April 2017 to Virgin America and the first A321neo powered by P&W engines in September to ANA.

A320 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity(1)	Range *(km)*	Length *(metres)*	Wingspan *(metres)*
A318	2003	107	5,750	31.4	34.1
A319	1996	124	6,950(2)	33.8	35.8
A320	1988	150	6,100(2)	37.6	35.8(3)
A321	1994	185	5,950(2)	44.5	35.8(3)
A319neo		140	6,950	33.8	35.8
A320neo	2016	165	6,500	37.6	35.8
A321neo		206	7,400	44.5	35.8

(1) Two-class layout.
(2) Range with sharklets.
(3) Wingspan with sharklets.

1

A330 Family. With 1,707 aircraft sold (of which 220 A330neo) and 1,323 delivered, the A330 Family covers all market segments with one twin-engine aircraft type and is designed to carry between 247 and 277 passengers. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The newest evolution to the A330 Family is the A330neo (new engine option), comprising the A330-800neo and A330-900neo versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines. Airbus Commercial Aircraft commenced final assembly for the first A330neo, an A330-900, in 2016. The first flight took place in October 2017 and both Type Certification and first delivery are planned for 2018. The final assembly of the A330-800 started in November 2017 and the aircraft is on track for the first flight planned mid-2018.

In 2017, Airbus Commercial Aircraft received 6 net orders for the A330neo.

The platform for developing the Neo is the 242-tonne maximum take-off weight A330 variant. This upgrade was first applied to the A330-300 with the first enhanced A330-300 variant delivered to Delta Airlines in May 2015 and subsequently for the A330-200.

Airbus Commercial Aircraft is also adapting the A330-300 to rapidly growing markets, where the aviation infrastructure is struggling to keep us with surging demand. The A330 Regional, the lower-weight variant will carry up to 400 passengers on shorter haul missions resulting in significant cost savings. Saudi Arabian Airlines became the A330-300 Regional launch customer with an order announced in June 2015 and the first delivery in August 2016.

Airbus Commercial Aircraft is continuously developing the A330 Family to keep the aircraft at the leading edge of innovations.

In 2017, Airbus Commercial Aircraft received 25 gross orders (21 net) for the A330 Family of aircraft including 10 for the A330neo, and delivered 67 aircraft to customers.

A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity[1]	Maximum range *(km)*	Length *(metres)*	Wingspan *(metres)*
A330-200	1998	247	13,450	58.8	60.3
A330-300	1994	277	11,750	63.7	60.3
A330-800neo		257	13,900	58.8	64
A330-900neo		287	12,130	63.7	64

(1) Three-class configuration.

A380. The double-deck A380 is the world's largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Carrying 544 passengers in a comfortable four-class configuration and with a range of 8,200 nm / 15,200 km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380's competitor is the Boeing 747-8.

In 2017, Airbus Commercial Aircraft delivered 15 aircraft.

Following an agreement reached between Emirates Airline and Rolls-Royce and a subsequent agreement between Emirates Airline and Airbus Commercial Aircraft, Airbus is to adapt the A380 delivery stream with six aircraft deliveries shifted from 2017 to 2018 and six others from 2018 to 2019.

Airbus Commercial Aircraft re-confirms the target to deliver around 12 aircraft in 2018 and 8 in 2019. Airbus Commercial Aircraft has an industrially robust process to deliver down to 6 aircraft a year.

Airbus Commercial Aircraft is continuing to invest in the A380 and in 2017 announced the outcome of a development study: The A380plus; Aerodynamic improvements, cabin enablers (new forward stairs / optimizing galleys and staircases / crew-rest) allowing 80 additional seats, bringing the baseline offering of the A380 to some 575 seats in 4 classes, additional range (+300 nm) or payload (+3 tonnes MTOW), system improvements and maintenance optimisation together is expected to bring 13% COC per seat reduction compared to today's A380s.

Airbus Commercial Aircraft launched the iflyA380.com website enabling passengers to identify if the A380 is operated on a particular route and to book flights directly with the airlines flying A380s.

A380 TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity[1]	Maximum range *(km)*	Length *(metres)*	Wingspan *(metres)*
A380-800	2007	544	15,200	73.0	79.8

(1) Four-class layout.

A350 XWB Family. The A350 XWB is an all-new family of wide-body aircraft, designed to accommodate between 280 and 366 passengers. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft, and a greater use of composite material. The A350 XWB's main competitors are the Boeing 787 and 777 aircraft series.

With the Ultra-Long Range version of the A350-900 launched in 2015, the A350 XWB demonstrates its versatility by offering the capability to perform flights of up to 19 hours.

Airbus Commercial Aircraft has developed the larger A350-1000, which is now certified by EASA and the FAA and was delivered to its first customer in February 2018. This follows final assembly line start in February 2016 and a successful first flight in November 2016.

In 2016, Airbus Commercial Aircraft received 44 gross orders for the A350 XWB Family (36 net), and delivered 78 aircraft.

In July 2017, Airbus Commercial Aircraft celebrated the delivery of its 100th A350 aircraft – an A350-900 for China Airlines just some 30 months after the first delivery of an A350.

A350 XWB FAMILY TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity(1)	Maximum range *(km)*	Length *(metres)*	Wingspan *(metres)*
A350-900	2014	325	14,350	66.8	64.7
A350-1000	2018	366	14,800	73.7	64.7

(1) Two-class layout.

Customer Services

Customer Services' prime role is to support its customers in operating their Airbus fleet safely and profitably and to the satisfaction of passengers all around the world. As a result of its continued growth, Airbus Commercial Aircraft's customer base has increased consistently over the past years reaching 9,950 aircraft in-service by the end of 2017 operated by 424 customers. The fleet is maintained by more than 100 Maintenance and Repair Organisations and partially owned by 100 leasing companies.

A worldwide network of more than 5,000 people cover all areas of support from technical engineering / operational assistance and spare parts supply, to crew and maintenance training. Hundreds of technical specialists provide Airbus Commercial Aircraft customers with advice and assistance 24 hours a day, 7 days a week. There are 143 field service stations available worldwide for on-site assistance to our operators, covering 167 operators. 201 operators are covered by 15 Hubs. Our worldwide support is also based on an international network of support centres, training centres and spares' warehouses.

Beyond the core customer support activities, Airbus Commercial Aircraft has developed a comprehensive services portfolio including a wide range of modular and customised services driven by the unique added value that an aircraft manufacturer can bring.

The services portfolio is clustered around four pillars: Maintenance & Engineering Solutions consisting of Flight Hour Services & Material Services, Training, Upgrades and Flight Operations.

A recent major step in the development of Customer Services is the creation of Navblue out of the Navtech acquisition in 2016. With its comprehensive product suite of solutions for electronic flight bags (EFBs), aeronautical charts, navigation data, performance-based navigation (PBN), flight planning, aircraft performance and crew planning, Navblue further strengthens Airbus Commercial Aircraft's provision of end-to-end flight operations services. At the 2016 Farnborough International Airshow, the launch of two new services has been announced as well: Airline Operating Control Centre and Aeronautical Data solutions.

In addition, three new training centres have been opened in Singapore, Mexico and Sao Paulo, and the Services digital roadmap is progressing well with the launch of new e-solutions on Predictive Maintenance notably.

In 2017, Sepang Aircraft Engineering (SAE), an MRO centre based in Kuala Lumpur, Malaysia, partially owned by Airbus since 2011, has become a fully owned Airbus subsidiary, following the acquisition by Airbus of its remaining shares. It will boost growth strategy of services by Airbus in Asia Pacific.

Airbus launched a new offer, Airbus Interiors Services, dedicated to supporting airlines with their cabin upgrade development strategies.

At Le Bourget airshow, Airbus launched a new aviation data platform in collaboration with Palantir Technologies – pioneers in big-data integration and advanced analytics. 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.

Customer Finance

Airbus Commercial Aircraft favours cash sales, and does not envisage customer financing as an area of business development. However, Airbus Commercial Aircraft recognises the commercial need for manufacturers to assist customers in arranging financing of new aircraft purchases, and in certain cases to participate in financing those aircraft for the airline.

Extension of credit or assumption of exposure is subject to corporate oversight and monitoring, and follows strict standards of discipline and caution. Airbus Commercial Aircraft's dedicated customer finance team has accumulated decades of expertise in aircraft finance. When Airbus Commercial Aircraft finances a customer, the financed aircraft generally serves as collateral, with the engine manufacturer participating in the financing. These elements assist in reducing the risk borne by Airbus Commercial Aircraft. The difference between the gross exposure resulting from the financing and the collateral value is fully provisioned for (for further information, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 25: Sales Financing Transactions"). Airbus Commercial Aircraft's customer Financing Transactions are designed to facilitate subsequent sell-down of the exposure to the financial markets, third-party lenders or lessors.

In 2017, Airbus Commercial Aircraft continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities, supported by a high level of liquidity available in the market at good rates for Airbus aircraft. Despite a continued suspension of Export Credit Agency support, Airbus Commercial Aircraft customer financing exposure remained limited in 2017 and decreased compared to 2016. Airbus Commercial Aircraft will continue to provide direct aircraft financing support as it deems necessary. Management believes, in light of its experience, that the level of provisioning protecting Airbus Commercial Aircraft from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "— Risk Factors – Financial Market Risks – Sales Financing Arrangements".

Asset Management

The Asset Management department was established in 1994 to manage and re-market used aircraft acquired by Airbus Commercial Aircraft, originally as a result of customer bankruptcies, and subsequently in the context of certain buy-back commitments. The department operates with a dedicated staff and manages a fleet comprised of used aircraft across a wide range of models. Through its activities, the Asset Management department helps Airbus Commercial Aircraft to respond more efficiently to the medium- and long-term fleet requirements of its customers.

Its key roles comprise commercial, technical and financial risk management of its used aircraft portfolio, as well as the enhancement of all Airbus Commercial Aircraft products' residual value.

It also provides a full range of remarketing services, including assistance with entry-into-service, interior reconfiguration and maintenance checks. Most of the aircraft are available to customers for cash sale, while some can also be offered on operating lease. In the latter, the Airbus Commercial Aircraft Asset Management team aims at eventually selling down the aircraft with lease attached to further reduce its portfolio exposure.

At the end of 2017, the Asset Management portfolio contained 27 aircraft, representing a 27% net portfolio reduction from 2016.

Production

Industrial Organisation

Each task in the building of Airbus aircraft (from design to production) is allocated to a designated plant. The Airbus Commercial Aircraft plants are typically organised around different aircraft components and sections, in component delivery teams. Each component delivery team is either in charge of one aircraft programme, or organised by manufacturing technology clusters depending on the optimum solution for each plant. Every plant is organised with production, engineering, quality, supply chain, manufacturing, engineering and logistics capabilities to ensure a seamless production flow of operations.

A transversal "Industrial Systems" Centre of Competences is in charge of ensuring that harmonised and standardised processes, methods and tools are developed and implemented across the plants, in order to increase efficiency, based on best practices. Another transversal "Manufacturing technologies" Centre of Competences is in charge of disseminating new technologies and innovation in manufacturing across the plants and preparing manufacturing solutions for future product evolutions.

Following production by the respective plants, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means, such as the "Beluga" Super Transporters. To support the A380 production flow, Airbus Commercial Aircraft has also integrated road, river and sea transport. Programme management is then responsible for the final assembly line activities. The programme management works closely with the plants to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

Following the commencement of aircraft assembly at the A320 Family final assembly line in Mobile, Alabama (US) in July 2015, the first delivery of a Mobile-assembled aircraft took place in April 2016. At the time of publication, Airbus Commercial Aircraft anticipates delivering four aircraft per month from the Mobile plant. The vast majority of the aircraft produced in Mobile will be delivered to North American customers.

In 2017, Airbus Commercial Aircraft announced the following production rate:

- A320 family: rate 60 by mid 2019 with a 4^{th} A320 line in Hamburg, Mobile fully on schedule and Tianjin (China) ramping- up further;
- A330: rate 6 in 2018;
- A380: 12 deliveries in 2018 and 8 in 2019.

Engineering

Airbus Engineering is a global organisation that develops civil aircraft and aircraft components, and that conducts innovative research applicable to the next generation of aircraft. Airbus Engineering operates transnationally, with most engineers employed in France, Germany, the UK and Spain. A growing population of experienced aerospace engineers is also employed worldwide at five other engineering centres in Wichita (Kansas, US), Mobile (Alabama, US), Moscow (Russia), Bangalore (India) and Beijing (China).

A key part of the Airbus engineering organisation is the architect and integration centre, which ensures, together with a team of senior aircraft architects and the programme chief engineers, that a consistent and multi-disciplinary approach is applied during aircraft development.

Research & Technology activities continue to deliver incremental innovations for existing aircraft, matured breakthrough technologies, with reinforced focus on industrial aspects. Airbus Engineering is a major contributor to numerous international initiatives dedicated to the preservation of the environment and the reduction of noise and CO_2 emissions. Fully integrated change projects are also implemented to continuously implement innovative and efficient ways of working.

Regional Aircraft, Aerostructures, Seats and Aircraft Conversion

ATR

ATR (*Avions de Transport Régional*) is a world leader in the 30 to 78 seat regional turboprop aircraft market. Its aircraft are currently operated by more than 200 airlines in over 100 countries. ATR is an equal partnership between Airbus and Leonardo, with Airbus' 50% share managed by Airbus Commercial Aircraft. Headquartered in Toulouse, ATR employs more than 1,300 people. Since the start of the programme in 1981, ATR has registered net orders for 1,671 aircraft (465 ATR 42s and 1,206 ATR 72s).

In 2017, ATR delivered 78 new aircraft (compared to 80 in 2016) and recorded net firm orders for 103 new aircraft (compared to 32 in 2016), including significant orders from Indigo and Iran Air, and an order from Fedex for the new ATR-72 F (freighter). As of 31 December 2017, ATR had a backlog of 235 aircraft (compared to 212 in 2016).

Products and Services

ATR 42 and ATR 72. ATR has developed a family of high-wing, twin turboprop aircraft in the 30- to 78-seat market which comprises the ATR 42 and ATR 72, designed for optimal efficiency, operational flexibility and comfort. Like Airbus Commercial Aircraft, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and cross-crew qualification. By the end of 2017, ATR had delivered 1,436 aircraft.

Customer service. ATR has established a worldwide customer support organisation committed to supporting aircraft over their service life. Service centres and spare parts stocks are located in Toulouse, Paris, Miami, Singapore, Bangalore, Auckland and Johannesburg. ATR worldwide presence also includes a representative office in Beijing.

ATR Asset Management addresses the market for second-hand aircraft by assisting in the placement and financing of used and end-of-lease aircraft. ATR Asset Management activity is marginal today as the leasing market has strongly developed since 2007.

Production

The ATR fuselage is produced in Naples, Italy, and ATR wings are manufactured in Merignac near Bordeaux, France. Final assembly takes place in Saint Martin near Toulouse on the Airbus Commercial Aircraft production site. Flight-testing, certification and deliveries also occur in Toulouse. ATR outsources certain areas of responsibility to Airbus Commercial Aircraft, such as wing design and manufacturing, flight-testing and information technology.

STELIA Aerospace

STELIA Aerospace is a wholly-owned subsidiary of Airbus. Following the merger of Sogerma and Aerolia in 2015, it now offers global solutions for aeronautical manufacturers and airlines supported by its aerostructure, cabin interior and pilot seats business lines.

As one of the world leading tier-1 aerostructure suppliers, STELIA Aerospace designs and manufactures fully integrated aircraft sections for civil and military programs.

From full aircraft wings and fuselage sections, to fully equipped "plug and fly" structures, STELIA Aerospace is a global partner for major aeronautical players worldwide, such as Airbus, ATR, Bombardier or Boeing.

With more than 6,900 employees worldwide, working within 11 Centres of Excellence based in France, Canada, Morocco and Tunisia, STELIA Aerospace has the capability to offer both Build-to-Print and Design & Build solutions.

Other specialisms include mechanical milling of rolled and stretched panels, and tubes & pipes covering all ATA systems.

STELIA Aerospace also designs and manufactures luxury First Class and Business Seats for key partners in the world including Etihad Airways, Singapore Airlines or Thaï Airways.

By combining innovative materials and technology with a drive to improve the passenger experience, STELIA Aerospace has created an outstanding range of seats used in civil aircraft globally.

STELIA Aerospace – a joint world leader Pilot seats manufacturer – provides cockpit and pilot seats for all kinds of aircraft, and offers support from design to production, including after-sales service.

As part of its development strategy, STELIA Aerospace is actively seeking new commercial and strategic opportunities.

Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of the Company (consolidated within Airbus Commercial Aircraft), is one of the world's leading tier-1 suppliers of commercial and military aircraft structures and is a partner in the major European international aerospace programmes.

Its core business is the development and production of large aircraft components from aluminum, titanium and carbon fiber composites (CFRP). Premium AEROTEC is Europe's no. 1 in this segment with roughly 10,000 employees at various sites in Germany and Romania. Premium AEROTEC is represented by its products in all Airbus Commercial Aircraft programmes. The current military programmes include the Eurofighter "Typhoon" and the new military transport aircraft A400M.

Besides main customer Airbus, Premium AEROTEC will further intensify business with other customers and actively approach other aircraft or structural manufacturers. The Company is also striving to expand its maintenance, repair and spare parts business.

In order to contribute successfully to the shaping of the future of aviation, the engineers and developers at Premium AEROTEC are continuously working on the new and further development of lightweight and highly durable aircraft structures. They cooperate closely with universities and research institutes in the process. Premium AEROTEC plays a significant role in the design of new concepts in such fields as carbon composite technologies (incl. thermoplastic processes) or 3D-printing of aircraft components made of titanium or aluminum.

Elbe Flugzeugwerke GmbH — EFW

EFW combines various aviation and technology activities under a single roof: development and manufacturing of flat fibre-reinforced composite components for structures and interiors, the conversion of passenger aircraft into freighter configuration, maintenance and repair of Airbus Commercial Aircraft aircraft as well as engineering services in the context of certification and approval.

On 17 June 2015, Airbus Commercial Aircraft signed an agreement with Singapore-based ST Aerospace Ltd. (STA) to offer passenger-to-freighter (P2F) conversion solutions for its A320 and A321 aircraft. STA acquired an additional 20% of the shares of EFW, Dresden (Germany) by way of a contribution in kind and a capital increase to EFW. The transaction closed on 4 January 2016. Consequently, 45% of the shares of EFW were retained and Airbus effectively lost its control over EFW (previously reported in Airbus Commercial Aircraft).

1.1.3 Helicopters

Airbus Helicopters is a global leader in the civil and military rotorcraft market, offering one of the most complete and modern ranges of helicopters and related services. This product range currently includes light single-engine, light twin-engine, medium and medium-heavy rotorcraft, which are adaptable to all kinds of mission types based on customer needs. See "— 1.1.1 Overview" for an introduction to Airbus Helicopters.

Strategy

Airbus Helicopters' strategy is to continue driving improvement initiatives via its company-wide digital transformation plan, which places customer satisfaction, quality and safety at the core of its operations, along with increasing industrial competitiveness.

A Commitment to Innovation

Development of the next-generation H160 medium helicopter – the first of the "H Generation" – is ongoing at a steady pace. Flight-test activities were carried out throughout 2017. The third H160 prototype has been introduced in early October enabling flight tests to accelerate with the final assembly line in Marignane being in the final stages of preparation. In 2017, products and services continued to be enhanced, with several initiatives such as the ongoing development of the H175 Public Services version for delivery in 2018 and the first fire campaign of the H145 equipped with H-Force suite for German Special Operation Forces.

Airbus Helicopters is investigating future unmanned VTOL (Vertical Take-off and Landing) systems. In that frame, Airbus Helicopters is currently working on the design and development of the VSR700 unmanned aerial vehicle. The French DGA (*Direction Générale de l'Armement*) has awarded a contract to the Naval Group and Airbus Helicopters consortium to identify, deploy and test the necessary technologies for the integration of a tactical drone-system capacity within a heavily armed vessel.

Airbus Helicopters is also exploring Urban Air Mobility (UAM) via theCityAirbus project, which is an electrically operated platform concept for multiple passengers. As part of Clean Sky 2 European Research programme, Airbus Helicopters has unveiled at the Le Bourget airshow the aerodynamic configuration of the high speed demonstrator codenamed Racer. This demonstrator will incorporate a host of innovative features and will be optimised for a cruise speed of more than 400 km/h. Beyond the platform Airbus Helicopters wants to play a leading role in UAM services like on-demand helicopter booking platforms. Voom, now operational in Sao Paulo, will be the entity that will provide this new service to be deployed to other locations notably in the Americas and Asia-Pacific.

Focusing on Customers

Airbus Helicopters achieved the first wave of its transformation plan in 2017 by further enhancing customer support and services, with safety as the top priority. This is underscored by indicators like increasing fleet availability for customers and operators, or improved On Time Delivery rates for spare parts.

Delivering Safety

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities to determine the precise cause of the accident. Subsequently, Airbus Helicopters has reviewed and applied new safety measures to its product range. Furthermore, design changes have been introduced on the Super Puma and Dauphin family of helicopters.

Airbus Helicopters' chief priority is to enhance flight safety for the thousands of men and women around the world who are transported in its aircraft every day. This commitment is reflected across all company activities involving the lifecycle of a helicopter, with focus on meeting and exceeding industry safety standards and supporting the safe operation of its aircraft.

Market Drivers

According to market forecasts produced by Airbus Helicopters, around 22,000 civil helicopters and 14,000 military helicopters are expected to be built globally over the next 20 years (all turbine helicopters). This forecast, particularly with respect to the military sector, relies to a large extent on large US development programmes. Overall, the global helicopter market is still evolving in a difficult environment, despite improved economic indicators in 2017.

Helicopters sold in the civil and parapublic sector, where Airbus Helicopters is a leader, provide transport for private owners and corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Thanks to its existing mission segment diversity, the helicopter market (both Platforms and Services activities) is expected to be resilient through the coming decade, even though one of the key segments, Oil & Gas (in value), continues to experience challenging conditions. Airbus Helicopters expects market softness to continue in the short term but believes that the demand over the next 20 years will be driven by large replacement needs from advanced economies and by growth from emerging countries (especially in Asia still largely under equipped). Airbus Helicopters' market data indicates that in 2017, worldwide deliveries of civil and parapublic turbine helicopters over five seats stood at ~520 units. Demand for military helicopters and related services is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Airbus Helicopters believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the ongoing introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement in the medium term. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and may be limited, due to budgetary constraints on public spending in some regions like Western Europe and Middle East, while other regions like Asia Pacific or Eastern Europe are expected to continue to grow. Despite recent threats and a growing geopolitical instability, which has accelerated military spending and a reassessment of defence budgets, the military market is still low in 2017. Economic difficulties (*i.e.*, low commodities prices), saturation of the Western countries markets as well as postponement of significant military campaigns have resulted in a decrease for all mission segments. According to Airbus Helicopters' market data, worldwide deliveries of military turbine helicopters stood at ~700 units in 2017.

Competition

Airbus Helicopters' primary competitors in the civil and parapublic sector are Leonardo and Bell Helicopter. Sikorsky and Russian Helicopters (except in Russia) continue to reflect very low order intake in the C&P market while concentrating their activity on the military sector.

The civil and parapublic sector has seen more local competitors in recent years (China, India, Japan, South Korea, Turkey). Airbus Helicopters has consolidated its market share (in bookings of 2.0t helicopters and five seats and above), in a low market, with 50% in unit in 2017, followed by Bell and Leonardo with respectively 18% and 17%.

Airbus Helicopters' main competitors in the military sector are Sikorsky, Boeing and Russian Helicopters, thanks to large captive market and strong political support for export.

The military sector is highly competitive and is characterised by major restrictions on foreign manufacturers' access to the domestic defence bidding process (*i.e.* USA, China, Russia). Thanks to several Super Puma family contracts, Airbus Helicopters increased its market share on this sector (in value) from 4% in 2016 to 12% in 2017. Airbus will continue to focus on large military campaigns in 2018.

Customers

More than 3,000 operators currently fly Airbus Helicopters' rotorcraft in over 150 countries. Airbus Helicopters' principal military clients are Ministries of Defence ("MoDs") in Europe, Asia, the US and Latin America. In the civil and parapublic sector, Airbus Helicopters has a leading market share in Europe, the Americas and Asia-Pacific.

With 50% of the worldwide market share-based on deliveries, the versatility and reliability of Airbus Helicopters products have made them the preferred choice of the most prominent civil and parapublic customers (turbine helicopters over five seats).

Products and Services

Airbus Helicopters offers a complete range of helicopters that covers nearly the entire civil and military market spectrum, which it continuously improves with leading-edge technologies. This product range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, and is based on a series of new-generation platforms designed to be adaptable to both military and civil applications. In addition, products share multiple technical features as part of a family concept approach.

The following table sets forth Airbus Helicopters' existing product line, consisting of optimised products for different mission types:

Helicopter Type	Primary Missions
Single Engine ("Ecureuil" family)	
H125 "Ecureuil" / H125M "Fennec"	Public Services(1), Military Utility(2) & Armed Reconnaissance, Corporate / Private, Commercial Pax Transport & Aerial Work
H130	Commercial Pax Transport & Multipurpose, Emergency Medical, Tourism, Corporate / Private
Light Twin Engine	
H135 / H135M	VIP, Military Utility & Armed Reconnaissance, Emergency Medical, Public Services(1)
H145 / LUH (UH-72) / H145M	VIP, Military Utility(2), Emergency Medical, Public Services(1)
Medium ("Dauphin" family)	
AS365 "Dauphin" / AS565 "Panther"	Military Naval Warfare Mission & Maritime Security, Public Services(1) (in particular Coast Guard & SAR), Oil & Gas, Commercial Pax Transport & Multipurpose
H155	Corporate / Private, VIP, Oil & Gas, Public Services(1)
H175	Corporate / Private, VIP, SAR, Emergency Medical, Public Services(1), Oil & Gas
Medium-Heavy	
H215 "Super Puma" / H215M "Cougar"	Civil Utility, Military Transport / SAR, Oil & Gas
H225 / H225M	SAR, Combat-SAR, Military Transport, Oil & Gas, VIP, Public Services(1)
NH90 (TTH / NFH)	SAR, Military Transport, Naval
Attack	
Tiger	Combat, Armed Reconnaissance / Escort

(1) Public Services includes homeland security, law enforcement, fire-fighting, border patrol, coast guard and public agency emergency medical services.
(2) Civil Utility includes different kinds of commercial activities such as aerial works, electrical new gathering (ENG), passenger and cargo transport.

Airbus Helicopters confirms serial production of the H120 has ended in September 2017. The decision to stop production of the H120 is the result of Airbus Helicopters' strategy to focus on markets where high-end technologies bring most value to customers.

Civil Range

Airbus Helicopters' civil range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, which are adaptable to all mission types based on customer needs. To maintain and strengthen its competitive edge in the civil sector, Airbus Helicopters is pursuing a fast-paced product range renewal. This entails development for the next generation of helicopters with the H175 Public Services variant and the H145 H-Force.

In the civil market, Airbus Helicopters is preparing the future – the H Generation – embodied by the all-new, medium-weight H160 civil helicopter which was unveiled and started flight testing.

Military Range

Airbus Helicopters' military range comprises platforms derived from its commercial range (such as the H225M derived from the H225) as well as purely military platforms developed for armed forces (the NH90 and the Tiger).

Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Airbus Helicopters, Leonardo of Italy and Fokker Services of the Netherlands as joint partners in NATO Helicopter Industries ("NHI") in direct proportion to their countries' expressed procurement commitments. Airbus Helicopters' share of NHI is 62.5%. There were 40 NH90 deliveries in 2017, for a cumulative total of 345 deliveries as of the end of 2017. The NH90 fleet has accumulated ~145,000 flight hours.

The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile); the UHT (antitank missile, air-to-air missile, axial gun and rockets); the ARH (antitank missile, turreted gun and rockets); and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines) Overall in 2017, 17 Tigers were delivered, for a cumulative total of 171 deliveries by year-end. The Tiger fleet has accumulated more than 96,000 flight hours.

Airbus is also a major contractor to the US Army, having been chosen to supply the service's UH-72A Lakota helicopter. As of 1 January 2018, 430 aircraft had been delivered to the US Defense Department for operation by US Army and Army National Guard units, the Navy and foreign military sales buyers.

Customer Services

With more than 3,000 operators in over 150 countries, Airbus Helicopters has a large fleet of some 12,000 in-service rotorcraft to support. As a result, customer service activities to support this large fleet generated 44% of Airbus Helicopters' revenues for 2017 after the disposal of Vector Aerospace in November 2017.

Airbus Helicopters' customer service activities consist primarily of maintenance, repairs, spare parts supply, training and technical support. In order to provide efficient worldwide service, Airbus Helicopters has established an international network of subsidiaries, authorised distributors and service centres.

Production

Airbus Helicopters' industrial activities in Europe are conducted in four primary locations, two in France, one in Germany and one in Spain. The French sites are in Marignane, southern France and Paris-Le Bourget. The German site is located in Donauwörth, and the Spanish site is located in Albacete.

In the US, Airbus Helicopters, Inc. has two industrial sites: Grand Prairie, Texas and Columbus, Mississippi. Grand Prairie serves as the company's headquarters and main facility and also serves as the Airbus Helicopters Training facility for North America. The Columbus facility is dedicated to the assembly and delivery of the UH-72A Lakota and H125.

In Australia, Australian Aerospace assembles, upgrades and maintains NH90 and Tiger for the country's armed forces; while a rotary-wing centre of excellence in Helibras — Itajuba, Brazil produces, assembles and maintains H225M helicopters acquired by the Brazilian armed forces.

1.1.4 Defence and Space

Airbus Defence and Space develops and engineers cutting-edge products, systems and services in the field of defence and space, enabling governments, institutions and commercial customers to protect people and resources while staying connected to the world.

Airbus Defence and Space is organised in four Programme Lines: Military Aircraft; Space Systems; Communications, Intelligence & Security (CIS); and Unmanned Aerial Systems (UAS), which are focusing on the following key activities respectively:

- Military Aircraft designs, develops, delivers and supports military aircraft. It is the leading fixed-wing military aircraft centre in Europe, and one of the market leaders for combat, mission, transport and tanker aircraft worldwide. Key products include the Eurofighter Typhoon, the A400M, the A330 Multi Role Tanker Transport (MRTT) and the C295;
- Space Systems covers a broad range of civil and military space applications. Its satellite solutions for telecommunications, earth observation, navigation and science include spacecraft, ground segments and payloads. It also manufactures orbital and space exploration systems. Space transportation capabilities (comprising launchers and services) are offered via ArianeGroup, a 50/50 joint venture between Airbus and Safran;
- Communications, Intelligence & Security (CIS) includes four business clusters: Secure Communications, Intelligence, Cyber Security and Security Solutions. These clusters develop specific solutions for customers ranging from governments to small companies and commercial enterprises. In addition, CIS houses a dedicated unit for developing future applications for commercial markets, leveraging Airbus Defence and Space innovations, products and capabilities;
- Unmanned Aerial Systems (UAS) develops, delivers and operates UAS and UAV solutions for airborne intelligence, surveillance, reconnaissance, and combat missions. The commercial part of the UAS Programme Line, Airbus Aerial, delivers actionable data for different vertical markets, connectivity and cargo delivery services – fitting customer needs.

Strategy

The ambition of Airbus Defence and Space is to become the world's leading provider of smart aerospace and defence solutions. Following a comprehensive strategy review and update in 2016, Airbus Defence and Space is currently implementing a growth strategy based on strengthening its core product portfolio and expanding the services business, with a major emphasis on digitalisation ("Smarter Products – More Services – More Digital").

This growth strategy includes the following objectives:

- **shape the next generation of integrated combat systems and services**: As a replacement for the current generation of European combat aircraft, our vision for Future Air Power is based on a secure, interconnected, scalable and upgradable system of manned and unmanned platforms, including a new fighter and enhanced sensors and effectors;
- **lead the market in multi-mission and military transport solutions**: We will develop further upgrades and capabilities for our A330 MRTT and C295 platforms including greater connectivity and automatisation. We will progress our products towards multi-mission capability and will enlarge our portfolio;
- **build an innovative UAS portfolio for commercial and military applications**: In the area of commercial UAS, Airbus Aerial will focus on remote sensing, cargo drone services and connectivity applications. In defence we will shape sovereign European programmes such as a medium-altitude, long-endurance UAS, while concurrently developing teaming and swarming solutions;
- **take leadership in space solutions**: As the no. 1 in Europe and no. 3 in the world, we aim to further strengthen our position by pushing innovation and accessing new customers. We will develop next generation space-based systems to deliver earth-observation, telecom and connectivity solutions, and offer cutting-edge in-orbit services;
- **establish a leading position in cyber for governments and critical industries**: We will protect Airbus and its products against cyber attacks, and develop solutions to protect government and critical industry assets, products and operations;
- **make digital services and secure connectivity our new growth engine**: Digital platforms will be a key enabler for the creation of future data-driven services and new business models, e.g. drone services, imagery intelligence or aircraft in-service support. We also aim to be a leader in end-to-end secure connectivity across satellite, terrestrial, maritime and airborne networks;
- **grow our capability in the US**: Leveraging our existing products and services, we will strengthen our position in the US market through innovation and select strategic partnerships.

Market

Airbus Defence and Space is mainly active in public and para-public markets. As a general trend, defence budgets in Europe are set to gradually increase, triggered by heightened security risks and reinforced by recent discussions on the NATO commitments. In addition, the implementation of the European Defence Action Plan of November 2016 was bolstered by the joint declaration published in July 2017 by the French and German governments outlining the intention to strengthen European defence, including the joint development of military and security capabilities; together, these may provide new sales opportunities through members' collaborative procurement mechanisms. Market access outside the home countries may be subject to restrictions or preconditions such as national content.

Nevertheless, Airbus Defence and Space, in conjunction with Airbus, is well-placed to benefit from growth potential in defence across its solutions.

Military Aircraft

Customers

The Military Aircraft Programme Line with its products combat aircraft, military transport aircraft, mission aircraft and related services supplies the public sector, mainly armed forces.

Customer relationships in this segment are characterised by their long-term, strategic nature and long decision-making cycles. Once a contract is signed, its life span including considerable services business often amounts to decades. Beyond a strong foothold in home countries, the customer base is increasingly global, in particular due to the success of the A330 MRTT and C295 programmes.

The turbulence created by changes in the US administration and the Russian situation is gradually leading to a shift in importance of defence in Europe. The commitment to go towards a 2% of GDP is being gradually pursued and should lead to new optimism for the sector. The Franco-German declaration in summer 2017 and the establishment of "Permanent Structured Cooperation (PESCO)" by the European Union on 11 December 2017 are also clear signals in this direction.

With its C295 platform, Military Aircraft has also entered into the leasing market for civil operation, such as the UN World Food programme, and is looking for other civil opportunities.

Competitors

The market for military aircraft is dominated by large- and medium-sized American and European companies capable of complex system integration. Among the competitive factors are affordability, technical and management capability, the ability to develop and implement complex, integrated system architectures and the ability to provide solutions to customers. In particular special mission aircraft, such as heavy tankers, are derived from existing aircraft platforms. Adapting them requires thorough knowledge of the basic airframe, which generally only the aircraft manufacturer possesses. The skills necessary for the overall systems integration into the aircraft are extensive and the number of participants in the world market is very limited.

The main competitors in military transport and mission aircraft include Boeing, Lockheed Martin, Leonardo, UAC, Kawasaki, Ilyushin, AVIC and Antonov/Taqnia.

Heavy military transport has historically been driven by US policy and budget decisions and has therefore been dominated by US manufacturers and split in strategic and tactical aircraft segments. The A400M represents the Company's entry into this market, at a time when nations are expected to begin replacing their existing fleets. The aircraft is designed to disrupt the divide between strategic and tactical transport by offering both capabilities in one. This saves both time and cost as you can fly a long range strategic aircraft into a tactical zone of operation.

In revenues, Airbus is the largest continental European combat aircraft manufacturer. The major combat aircraft activities are taking place through the contribution to the Eurofighter Typhoon programme jointly with the consortium partner companies BAE Systems and Leonardo. Competitors in the segment of combat aircraft include Boeing, Dassault, Lockheed Martin, Saab and Sukhoi.

Market Trends

The sale of aircraft is expected to remain sound in the transport and special mission aircraft segments and even grow considerably for the heavy transport segment, where the A400M occupies a unique position.

In 2017, a contract for the supply of 24 units to Qatar was secured for the Eurofighter Typhoon consortium. A number of further sales are expected, prolonging the Eurofighter Typhoon production life.

After-Sales Services are an important business for Military Aircraft and are undergoing strong growth in line with the deliveries of A400M and A330 MRTT on top of the existing robust revenue stream associated with Eurofighter Typhoon in-service support.

The announcement of France and Germany in July 2017 to jointly develop and procure the next generation fighter jet may also contribute to safeguarding critically-needed European defence capabilities in the future.

Space Systems

Public Sector: Satellites, Space Infrastructure, Launchers, Deterrence

In the public market for Earth observation, scientific / exploration and navigation satellites, competition in Europe is organised on a national and multinational level, primarily through the European Space Agency (ESA), the European Commission (EC) and national space agencies.

Decisions at the latest ESA Ministerial Conferences and under EC Horizon 2020 paved the way for future European programmes in which Airbus Defence and Space does or may seek to participate. There is also important export demand for Earth observation systems, for which the Company is a leading provider. The export market is expected to continue growing over the medium-term.

For military customers, demand for telecommunication and observation satellites has increased in recent years.

The equipment segment can rely on a stable European market, with potential growth to come from developing space countries as well as the US.

The orbital infrastructure segment comprises manned and unmanned space systems mainly used for space exploration, *i.e.* scientific missions. Demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular from ESA, NASA, Roscosmos (Russia) and NASDA (Japan). Such systems are usually built in cooperation with international partners. The International Space Station (ISS), together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment and Airbus Defence and Space leads as prime contractor on industrial level the European contribution to the international Space Station ISS. Airbus Defence and Space is involved in NASA's Orion project as the prime contractor for the European contribution: the mission-critical service module of the MPCV (Multi-purpose Crew Vehicle) Orion spacecraft, which will allow astronauts to fly beyond low Earth orbit for the first time since the American Apollo programme.

The joint venture ArianeGroup is prime contractor for the Ariane 5 launcher system. ArianeGroup is contracted for the development of the future Ariane 6 launcher and is the prime contractor responsible for the development, manufacturing and maintenance of the French deterrence systems.

Commercial Sector: Telecommunications Satellites, Launch Services

The commercial telecommunication satellite market is highly competitive, with customer decisions primarily based on price, technical expertise and track record. The main competitors for telecommunications satellites are Boeing, Lockheed Martin, MDA and Orbital in the US, Thales Alenia Space in France and Italy, and Information Satellite Systems Reshetnev in Russia. The market for telecommunications satellites is expected to remain largely stable over the coming years at a level of approximately 20 orders per year on average.

The market for commercial launch services continues to evolve. Competitive pressure is increasing in light of other competitors entering or coming back into the market. ArianeGroup provides a complete range of launch services with the Ariane, Soyuz, Vega and Rockot launchers. Competitors for launch services include ILS, SpaceX, ULA, Sea Launch and CGWIC. The accessible market to Arianespace for commercial launch services for geostationary satellites is expected to remain stable at around 20 payloads per year. However, due to various factors (such as technology advances, increasing competition and consolidation of customers), this figure remains volatile. This market does not include institutional launch services for the US, Russian or Chinese military and governmental agencies.

In 2015 Airbus Defence and Space announced the creation of OneWeb Satellites JV, an equally owned company with OneWeb that will design and build 900+ satellites for the OneWeb constellation programme. This satellite constellation aims to provide competitive global internet access. This participation is entrepreneurial in nature and is meant to drive innovation in a new space market – an area that is set to expand dramatically in coming years. In 2017, OneWeb Satellites JV broke ground on the world's first state of the art high-volume satellite manufacturing facility in Exploration Park, Florida, and inaugurated its serial production line for the assembly, integration, and test of OneWeb's first satellites in Toulouse.

Communications, Intelligence & Security

The Communications, Intelligence and Security (CIS) Programme Line brings together the growing but increasingly competitive market for satellite and terrestrial communication, intelligence and security services and solutions. CIS serves a common customer base which includes governments, defence institutions, security and public safety agencies, and increasingly commercial sectors such as transportation (maritime, aviation, road), energy (oil, gas, electricity), mining and agriculture.

This programme line is divided into four clusters: Intelligence, Secure Communications, Cyber Security and Security Solutions.

Through Intelligence, Airbus Defence and Space develops Command and Control solutions for Ministries of Defence. Competitors in this area largely come from European or American based defence companies. Intelligence is also amongst the largest players in the satellite imagery (optical and radar) market. This sector remains mainly government orientated. However, the demand for satellite imagery is growing in commercial markets as many companies see geospatial data as key information for their business development.

Through its Secure Communications cluster, Airbus Defence and Space is also a leader in governmental satellite communications. This cluster offers a full portfolio of mobile and fixed satellite communication and terrestrial secure communications solutions for application at sea, on land and in the air. Customers are Ministries of Defence, Ministries of Interior and NGOs.

Airbus Defence and Space is also a leading provider of cyber security products and services, including consultancy services in Europe. The market growth is driven by an exponential increase of cyber-attacks, the increase in use of connected assets and global digital transformation. Customers are governments and private companies with a high grade security requirement.

In addition to the business clusters, CIS also houses Future Applications, which is a business accelerator taking existing capabilities from anywhere within the Division to new markets not traditionally served. The goal is to form stable and sustainable new business bringing profitable revenue to Airbus Defence and Space on a scale significant to the Division within five years.

CIS focuses on public customers such as armed forces for government satellite communications, where we have long-term relationships with our customers. Whereas budget pressures on public expenditure are high in Europe, investment into the services and solutions offered by CIS is likely to continue in the face of new global security threats, a re-emphasis on defence and security and the growth in demand for digital services. CIS has the objective to develop and scale digital services e.g. new services based on data generated by existing Airbus Defence and Space products to generate significant profitable revenues.

Unmanned Aerial Systems

Customers

Unmanned Aerial Systems could lead to diversification into services-driven markets. It is also a sector in which Europe has a strong need for investment, which could set the stage for new cooperation programs. France, Germany, Italy and Spain have signaled their intention to cooperate on a medium altitude, long endurance Unmanned Aerial System and Airbus Defence and Space is participating in the two-year definition study of the system.

Competitors

With regards to platforms, Chinese, Israeli and US firms are well established in the Unmanned Aerial Systems market segment, along with other European companies such as BAE Systems, Dassault and Thales, who are competing for new European projects. The market itself features strong growth with significant opportunities in Europe, the U.S. and Asia Pacific.

Market Trends

Unmanned Aerial Systems have a very promising growth potential. Market structures in this segment are not clearly set out yet and will see some movement, including a new European collaborative programme. Services verticals will offer increasingly interesting prospects as the market evolves.

Products and Services

Military Aircraft

A400M — Heavy military transport. The A400M is designed to be the most capable new generation airlifter on the market today. It is designed to meet the needs of the world's armed forces and other potential operators for military, humanitarian and peacekeeping missions in the 21st century. The A400M is designed to do the job of three different types of military transport and tanker aircraft conceived for different types of missions: Tactical (short to medium range airlifter capability with short, soft and austere field operating performance), strategic transport (longer range missions for outsized loads) as well as tactical tanker.

A total of 174 aircraft have been ordered so far by the seven launch customer nations Belgium, France, Germany, Luxemburg, Spain, Turkey, the UK and one export customer, Malaysia. Type Certificate and Initial Operating Clearance have been achieved in 2013. Since then, 57 units have been delivered to six nations by the end of 2017. The A400M is already deployed operationally since 2014 and military capability is expected to grow over time.

Multi-role tanker transport — A330 MRTT. The A330 MRTT, a derivative of the Airbus A330 family, offers military strategic air transport as well as air-to-air refueling capabilities. Its large tank capacity is sufficient to supply the required fuel quantities without the need for any auxiliary tanks. This allows the entire cargo bay to be available for freight, with the possibility of incorporating standard LD3 or LD6 containers, military pallets and/or any other type of load device in use today, as well as the full cabin available for personnel transport. The A330 MRTT is equipped with state of the art refueling systems, including an Aerial Refueling Boom System (ARBS) and under-wing refueling pods. At the end of 2017, the A330 MRTT programme has a total of 56 aircraft firm orders by eight customers, of which 29 already delivered and in service in four nations.

Eurofighter Typhoon combat aircraft. The Eurofighter Typhoon multi-role combat aircraft (also referred to as Typhoon) has been designed to enhance fleet efficiency through a single flying weapon system capable of fulfilling both air-to-air and air-to-ground missions.

The Eurofighter Jagdflugzeug GmbH shareholders are Airbus Defence and Space (46% share), BAE Systems (33% share) and Leonardo (21% share). With regard to series production, the respective production work shares of the participating partners within the Eurofighter Typhoon consortium stand at 43% for Airbus Defence and Space, 37.5% for BAE Systems and 19.5% for Leonardo. Airbus Defence and Space develops and manufactures the center fuselage and the right wing and leading edge slats for all aircraft, and is in charge of final assembly of aircraft ordered by the German and Spanish air forces. In addition Airbus Defence and Space is responsible for the development of the flight control system and the identification and communication sub-systems.

Airbus Defence and Space signed long-term global sustainment and material availability contracts for the Eurofighter Typhoon weapon system with the UK, Spain, Italy and Germany. The new agreement on Contract 1, effective 1 January 2017, runs for five years and is the second phase of sustainment for the Eurofighter Typhoon weapon system for all core nations forming the baseline for all in-service activities.

The new Contract 3, also effective from 1 January 2017, runs as well for five years and is the first milestone on the way to performance based logistics securing for the first time material availability for the Spanish and German air forces.

At the end of 2017, a total of 599 Eurofighter Typhoon aircraft had been ordered by eight customers (UK, Germany, Italy, Spain, Austria, Saudi Arabia, Oman and Kuwait), with a total of 532 aircraft delivered. Export opportunities are being actively developed together with the other shareholders of the Eurofighter consortium.

C295 — Light and Medium military transport/mission aircraft. The C295 is the work horse of tactical military transport, conducting logistical missions including the transport and delivery of personnel and cargo as well as medical evacuations. The aircraft are deployed in demanding environments (meteorological conditions, operational complexity, etc.), such as peacekeeping on the Sinai Peninsula. The aircraft are offered in varied versions and configurations beyond the traditional airlifter version, for example maritime patrol and anti-submarine warfare, airborne early warning and control, firefighting and intelligence surveillance reconnaissance (ISR), *etc.* In more than 30 years in service, this family of aircraft has proven to be robust, reliable, high-performing, efficient, flexible, easy to operate in any environment, and at low operating costs. 490 orders had been recorded for both CN235 and C295 types together at the end of 2017, with 22 aircraft ordered in 2017.

Customer Services. Airbus Defence and Space offers and provides various services for and related to military aircraft. Throughout the life-time of our aircraft, Military Aircraft Services includes integrated logistics support, in-service support, maintenance, upgrades, training or flight hour service. For example, the A330 MRTT contract with the UK Ministry of Defence through the AirTanker consortium includes alongside 14 aircraft the provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refueling and transport missions worldwide. Customer services go beyond the fleet of aircraft currently in production at Airbus Defence and Space, conducting upgrade programs for aircraft such as the Tornado and P-3 Orion. Airbus Defence and Space maintains a network of Maintenance, Repair and Overhaul centers strategically located throughout the world for greater proximity to the customer, for example in Seville or Manching in Europe, in Mobile, Alabama (US) or at subsidiaries in Saudi Arabia or Oman.

Space Systems

Manned Space Flight. Airbus Defence and Space has been the prime contractor for the European part of the International Space Station (ISS). This includes the development and integration of Columbus, the pressurised laboratory module on ISS with an independent life-support system successfully in orbit since 2007. It provides a full-scale research environment under microgravity conditions (material science, medicine, human physiology, biology, Earth observation, fluid physics and astronomy) and serves as a test-bed for new technologies.

In 2015, ESA awarded Airbus Defence and Space a contract to handle the engineering support of the European components of the ISS, which represents a key part of the ISS operational activities. Airbus Defence and Space was also the prime contractor for the development and construction of the Automated Transfer Vehicle (ATV) cargo carrier. The expertise gained on the ATV served to become the prime contractor for the European service module of NASA's next generation manned capsule MPCV Orion.

Launch services. Airbus Defence and Space is active in the field of launch services through its ArianeGroup joint venture.

ArianeGroup is responsible for the coordination and programme management of civil activities of the launcher business and relevant participations that have been transferred. ArianeGroup owns a total 74% stake in Arianespace, 46% of Starsem and 51% of Eurockot, providing a complete range of launch services with the Ariane, Soyuz, Vega and Rockot launchers.

Commercial launchers. ArianeGroup manufactures launchers and performs research and development for the Ariane programmes. Member States, through ESA, fund the development cost for Ariane launchers and associated technology. Airbus Defence and Space has been the sole prime contractor for the Ariane 5 system since 2004. In December 2014, the Ariane 6 programme was decided by ESA ministerial conference with an approval of the joint Airbus Defence and Space and Safran concept. In addition a new industrial set-up was announced with the creation of ArianeGroup between the two main Ariane manufacturers. This vertical integration secures the future by cutting costs and being more competitive. Ariane 6 is targeted to be launched in 2020.

Telecommunication satellites. Airbus Defence and Space produces telecommunication satellites used for both civil and military applications, such as television and radio broadcasting, fixed and mobile communication services and Internet broadband access. Current Airbus Defence and Space geostationary telecommunication satellites are based on the Eurostar family of platform, the latest version of which is the Eurostar E3000, including an all-electric variant. In 2015, Airbus Defence and Space also started the development of the Eutelsat Quantum telecommunication satellite, which will be the first satellite that can be fully reconfigured in orbit through its flexible antennae and repeater. Through its contract with OneWeb to design and produce 900 small telecommunication satellites for a constellation in Low Earth Orbit, Airbus Defence and Space is spearheading the industrial and commercial development of very large satellite constellations.

Observation and scientific / exploration satellites. Airbus Defence and Space supplies Earth observation satellite systems including ground infrastructures for both civil and military applications. Customers can derive significant benefits from the common elements of Airbus Defence and Space's civil and military observation solutions, which allow the collection of information for various applications, such as cartography, weather forecasting, climate monitoring, agricultural and forestry management, mineral, energy and water resource management, as well as military reconnaissance and surveillance.

Airbus Defence and Space also produces scientific satellites and space infrastructure, which are tailor-made products adapted to the specific requirements of the mostly high-end mission assigned to them. Applications include astronomical observation of radiation sources within the Universe, planetary exploration and Earth sciences. Airbus Defence and Space designs and manufactures a wide range of highly versatile platforms, optical and radar instruments and equipment. For example, Airbus Defence and Space contributed to the scientific community with the launches of the Sentinel-1B radar, Sentinel-2A and LISA pathfinder. It also signed a major contract to develop and build the JUICE spacecraft, ESA's next life-tracker inside the Solar System. JUICE will study Jupiter and its icy moons.

Navigation satellites. Airbus Defence and Space plays a major industrial role in the "Galileo" European navigation satellite system, which delivers signals enabling users to determine their geographic position with high accuracy and is expected to become increasingly significant in many sectors of commercial activity. Airbus Defence and Space was responsible for the Galileo in-orbit validation phase (IOV) to test the new satellite navigation system under real mission conditions. The IOV phase covered the construction of the first four satellites of the constellation and part of the ground infrastructure for Galileo. After the successful launch of the first four Airbus Defence and Space Galileo IOV satellites in 2011 and 2012, this early constellation was successfully tested in orbit and handed over to the customer in 2013. Airbus Defence and Space is playing an active role in the Galileo full operation capability phase (FOC) with a nearly 50% work share, including the FOC ground control segment and providing the payloads for the first 22 FOC satellites through its subsidiary SSTL.

Satellite products. Airbus Defence and Space offers an extensive portfolio of embedded subsystems and equipment for all types of space applications: telecommunications, Earth observation, navigation, scientific missions, manned spaceflight and launchers.

French deterrence systems. ArianeGroup as prime contractor holds the contracts with the French State for the submarine-launched deterrence system family.

Communications, Intelligence & Security

Intelligence. Airbus Defence and Space is a provider of commercial satellite imagery, C4ISR systems and related services with unrivalled expertise in satellite imagery acquisition, data processing, fusion, dissemination and intelligence extraction allied to significant command and control capabilities.

The cluster is a designer and supplier of C4I systems (Command, Control, Communications, Computers and Intelligence), which provides information systems and solutions to armed forces worldwide to support land, air and sea operations, assuring information superiority and supporting decision making at all levels of the command chain.

Airbus Defence and Space's lead systems integration offering includes the ability to design, develop and integrate the widest possible range of individual platforms and subsystems into a single effective network.

Airbus Defence and Space is also a provider of both optical and radar-based geo-information services to customers including international corporations, governments and authorities around the world.

With the very-high-resolution twin satellites Pleiades 1A and 1B, SPOT 6 and SPOT 7, Airbus Defence and Space's optical satellite constellation offers customers a high level of detail across wide areas, a highly reactive image programming service and unique surveillance and monitoring capabilities. Spot 6 and 7 provide a wide picture over an area with its 60-km swath, Pleiades 1A and 1B offer, for the same zone, products with a narrower field of view but with an increased level of detail (50 cm).

Airbus Defence and Space is currently producing four Pléiades Neo, Airbus' new very high resolution satellites. They will join the already large Airbus constellation of optical and radar satellites and will offer enhanced performances and the highest reactivity in the market thanks to direct access to the data relay communication system, known as SpaceDataHighway.

TerraSAR-X, a radar-based Earth observation satellite that provides high-quality topographic information, enabled Airbus Defence and Space to significantly expand its capabilities by proposing new kinds of images based on radar. TanDEM-X, its almost identical twin, was successfully launched in 2010 and achieved in 2014 WorldDEM, the first high precision 3-D elevation model of the entire surface of the Earth.

Secure Communications. Airbus Defence and Space offers a full portfolio of mobile and fixed satellite communication and secure terrestrial communications solutions for application at sea, on land and in the air. Airbus Defence and Space provides armed forces and governments in the UK, Germany, France and Abu Dhabi with secure satellite communications. For example in the UK, Airbus Defence and Space delivers in the frame of the "Skynet 5 programme" tailored end-to-end in-theatre and back-to-base communication solutions for voice, data and video services, ranging from a single voice channel to a complete turnkey system incorporating terminals and network management. This contract, pursuant to which Airbus Defence and Space owns and operates the UK military satellite communication infrastructure, allows the UK MoD to place orders and to pay for services as required. The service is fully operational since 2009 and extends to 2022. In Abu Dhabi, Airbus Defence and Space together with Thales Alenia Space built a secure satellite communication system.

Cyber Security. Airbus Defence and Space has established a cyber security business to meet the growing cyber security needs of users of critical IT infrastructure, including governments and global companies. Airbus Defence and Space provides expertise and solutions to help such organisations to protect themselves against, detect, analyse, prevent and respond to cyber threats. As a leading provider of Security Operation Centres, incident response services, key management, cryptography and high-security national solutions and consulting and training services, Airbus Defence and Space has a long track record in providing the most sensitive secure IT and data handling and training solutions to defence and security customers throughout France, Germany, the UK and other NATO countries.

Security Solutions

Security Solutions include sensor networks ranging from IR and video cameras through radars to airborne and space surveillance systems, all connected to command and control centres, mainly for border security systems. Apart from Intelligence, Surveillance and Reconnaissance (ISR) systems for gathering, aggregation and evaluation of incident data, highly reliable and encrypted digital data and voice networks are provided. Sophisticated decision-making tools support security forces to prioritise incidents, allocate required resources and control events in real-time. Services for long-term sustainable operation and life-cost optimisation such as simulation and training, maintenance, support to operation, local partnerships are also proposed.

Unmanned Aerial Systems

In the field of Unmanned Aerial Systems (UAS), Airbus Defence and Space is active at both product and service level. Airbus Defence and Space is the leading UAS Service provider for the German air forces meeting their Medium-Altitude Long-Endurance (MALE) Intelligence, Surveillance and Reconnaissance needs in the operational theatre. These interim solutions, based on non-proprietary MALE systems, will be replaced by a new generation European MALE system where Airbus Defence and Space is working on the Definition Study with its European partners. Airbus Defence and Space also provides mini-UAS to the French armed forces and selected export customers and the KZO UAS to the German armed forces. It is developing the solar-powered Zephyr for the UK MoD, but also for civil applications such as relay stations for internet provision to remote or sparsely populated regions.

In May 2017, Airbus Aerial was launched. It brings together a variety of aerospace technologies – including drones and satellites – combines them in a software infrastructure, and applies industry specific analytics to deliver tailored solutions to help its customers efficiently run their business. The portfolio of services will primarily focus on three applications – remote sensing, cargo drone services and connectivity. The Airbus Aerial activities will span both drone enabled digital services as well as the development of certifiable drones. Its focus lies on commercial customers in agriculture, insurance, infrastructure, state and local government.

Production

Airbus Defence and Space is headquartered in Munich. The main engineering and production facilities of the Division are located in France (Paris region and southwest France), Germany (Bavaria, Baden-Württemberg and Bremen), Spain (Madrid region and Andalusia) and the UK (southern England and Wales). In addition, Airbus Defence and Space operates a global network of engineering centres and offices in more than 80 countries.

MBDA

The Company's missile business, in addition to the ArianeGroup joint venture, derives from its 37.5% stake in MBDA (a joint venture between the Company, BAE Systems and Leonardo). MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence, maritime superiority and battlefield engagement. Beyond its role in European markets, MBDA has an established presence in export markets like Asia, the Gulf region and Latin America.

The broad product portfolio covers all six principal missile system categories: air-to-air, air-to-surface, surface-to-air, anti-ship, anti-submarine and surface-to-surface. MBDA's product range also includes a portfolio of airborne countermeasures such as missile warning and decoy systems, airborne combat training and counter-IED and counter-mine solutions. The most significant programmes currently under development are the ground based air defence system TLVS/MEADS for Germany, the Aster Block 1 NT air and missile defence family of systems for France and Italy, the Sea Venom/ANL anti-ship missile for the UK and French navies' helicopters, the portable medium range battlefield "Missile Moyenne Portée (MMP)", the network enabled precision surface attack SPEAR missile and the "Common Anti-Air Modular Missile (CAMM)", which is an anti-air missile family with land, naval and air launched applications.

ArianeGroup

Airbus Defence and Space is active in the field of launchers and launch services through its ArianeGroup joint venture, which prior to July 2017 was named Airbus Safran Launchers (ASL).

1.1.5 Investments

Dassault Aviation

Following on from the 2014 and 2015 share sales, the Company sold in 2016 approximately 0.83 million shares in Dassault Aviation, representing around 9.05% of the Company's share capital at the time. As a result of the implementation of 2016 and 2017 Dassault Aviation's share buyback programs and of Dassault Aviation's capital increase, which took place on 21 June 2017 and at the occasion of which 61,136 shares were issued to remunerate the shareholders who opted for a dividend payment through attribution of shares, the Company holds approximately 9.93% of Dassault Aviation's share capital and 6.16% of its voting rights. In case of exchange in full of the bonds issued by the Company and which are due in 2021, the Company will no longer hold any of Dassault Aviation shares and voting rights.

1.1.6 Insurance

The Company's Insurance Risk Management function ("**IRM**") is established to proactively and efficiently respond to risks that can be treated by insurance techniques. IRM is responsible for all corporate insurance activities and related protection for the Company and is empowered to deal directly with the insurance and re-insurance markets. A continuous task of IRM in 2017 was to further improve efficient and appropriate corporate and project-related insurance solutions.

IRM's mission includes the definition and implementation of the Company's strategy for insurance risk management to help ensure that harmonised insurance policies and standards are in place for all insurable risks worldwide for Airbus. A systematic review, monitoring and reporting procedure applicable to all Divisions is in place to assess the exposure and protection systems applicable to all Airbus sites. The Company's insurance programmes cover high risk exposures related to its assets and liabilities.

Asset and liability insurance policies underwritten by IRM for the Company cover risks such as property damage, business interruption, aviation and non-aviation general and product liability. IRM also provides a Group insurance policy for Supervisory and Managing Board members and certain other employees of Airbus, which is renewed on an annual basis. The Company follows a policy of seeking to transfer the insurable risk of the Company to external insurance markets at reasonable rates, on customised and sufficient terms and limits as provided by the international insurance markets.

The insurance industry remains unpredictable. There may be future demands to change scope of coverage, premiums and deductible amounts. Thus, no assurance can be given that the Company will be able to maintain its current levels of coverage nor that the insurance coverages in place are adequate to cover all significant risk exposure of Airbus.

1.1.7 Legal and Arbitration Proceedings

Airbus 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, Airbus 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 the Company's or Airbus' financial position or profitability.

Regarding Airbus' provisions policy, Airbus recognises provisions for litigation and claims when (i) it has a present obligation from legal actions, governmental investigations, proceedings and other claims resulting from past events that are pending or may be instituted or asserted in the future against Airbus, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle such obligation and (iii) a reliable estimate of the amount of such obligation can be made. Although Airbus believes that adequate provisions have been made to cover current or contemplated general and specific litigation and regulatory risks, no assurance can be provided that such provisions will be sufficient. For the amount of provisions for litigation and claims, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 22: Provisions, Contingent Assets and Contingent Liabilities".

WTO

Although Airbus is not a party, Airbus 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 Commercial Aircraft 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 is now under WTO review pursuant to WTO rules.

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

Prompted by a whistleblower's allegations, Airbus conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus to the UK Serious Fraud Office (the "SFO") in March 2012. In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT. In August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus is in continuing engagement with the authorities.

Eurofighter Austria

In March 2012, the Munich public prosecutor, following a request by the Vienna public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust against 16 individuals, among them former and current employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH. The proceedings are related to the sale of Eurofighter aircraft to the Republic of Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct an independent fact finding review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the Munich public prosecution. Airbus has been fully cooperating with the authorities. Regarding the question of deductibility of payments made in connection with the Eurofighter Austria campaign, Airbus Defence and Space GmbH settled with the tax authorities in August 2016.

Since the result of the investigation by the public prosecution did not confirm the allegations of bribery, the Munich public prosecution (Staatsanwaltschaft München I), in order to conclude the investigation in relation to Airbus Defence and Space GmbH (the company), has issued an administrative penalty notice against the company under the German Act on Administrative Misdemeanours ("Ordnungswidrigkeitengesetz"). The notice is based on the allegation of a negligent breach of supervisory duties of non-identified members of the company's former management. The notice alleges that former management negligently failed to ensure proper internal controls that would have prevented employees from making payments to business partners without proven documented services. The monetary penalty amounts to €81.25 million (comprising an administrative fine of €250,000 and €81 million of disgorged profits). The notice explicitly acknowledges the efforts of Airbus and its management to successfully install a completely overhauled compliance system starting in 2012. The company, supported by its direct Group shareholders and ultimately Airbus SE, has waived any remedy against the notice.

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. On 18 September 2017, Airbus filed a submission 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. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF

In the context of review and enhancement of its internal compliance improvement programme, Airbus discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for Airbus customers. In early 2016, Airbus informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities it had discovered. Airbus made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed Airbus 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 Airbus that it had also opened a preliminary investigation into the same subject and that the two authorities would act in coordination going forward. Airbus is cooperating fully with both authorities including in respect of potential issues across Airbus' business. As part of Airbus' 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. Airbus is cooperating with the US authorities in close coordination with the SFO and PNF. The SFO and PNF investigations and any penalties potentially levied as a result could have negative consequences for Airbus. The potential imposition of any monetary penalty (and the amount thereof) or other sanction including tax liability arising from the SFO and PNF 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 Airbus. 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 Airbus (ii) adverse consequences on Airbus' 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 Airbus' business or reputation via negative publicity adversely affecting Airbus' prospects in the commercial market place.

ECA Financing

The financing environment remains healthy. A high level of liquidity is available in the market at good rates for our attractive portfolio of products. In 2017 ECA financing had not been made available to Airbus but Airbus and the ECAs have now reached agreement on a process under which we are able to resume making applications for ECA-backed financing for our customers across the Group on a case-by-case basis. We anticipate a return to ECA cover in 2018 for a limited number of transactions while the level of appetite for commercial financing remains high.

Other Investigations

In 2014, the Munich public prosecutor investigated potential irregularities in relation to a project of Tesat-Spacecom GmbH & Co. KG. The Munich public prosecutor launched administrative proceedings in the context of this investigation against Tesat-Spacecom GmbH & Co. KG. In January 2018 the public prosecutor terminated the investigation against individuals as well as the administrative fine procedure relating to Tesat-Spacecom GmbH & Co. KG.

In April 2017, the Munich public prosecutor terminated administrative proceedings against former EADS Deutschland GmbH (now Airbus Defence and Space GmbH) with regard to border security projects in Romania and Saudi Arabia. Already in 2016, corresponding investigations against former and current employees of the EADS Group were terminated.

Airbus is cooperating with a judicial investigation in France related to Kazakhstan. Airbus is not a party to these proceedings. Airbus 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, Airbus has 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). Airbus is cooperating with the US authorities. Airbus 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.

Review of Business Partner Relationships

In light of regulatory investigations and commercial disputes, including those discussed above, Airbus has determined to enhance certain of its policies, procedures and practices, including ethics and compliance and export control. Airbus is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities and is conducting enhanced due diligence as a pre-condition for future or continued engagement and to inform decisions on corresponding payments. Airbus engaged legal, investigative, and forensic accounting expertise of the highest calibre to undertake a comprehensive review of all relevant third party business consultant relationships and related subject matters. Airbus 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 Airbus seeking relief. The comprehensive review and these enhancements of its controls and practices has led to additional commercial litigation and arbitration against Airbus 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.

Commercial Disputes

In May 2013, Airbus was notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus 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 2018 at the earliest.

In the course of another commercial dispute, Airbus 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. Airbus is studying the award and considering the next steps.

1.1.8 Non-Financial Information

1.1.8.1 Airbus' Approach to Responsibility & 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 civilian markets. These features define the Company and shape its relationships with all stakeholders. For a description of Airbus' business model, see "— 1.1.1 Overview".

Airbus is engaged in stakeholder dialogue at various levels of the Company. Cooperation being at the heart of Airbus since its inception, the Company strongly encourages exchanging on best practices, understanding different perspectives and improving its performance in every activity. 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.

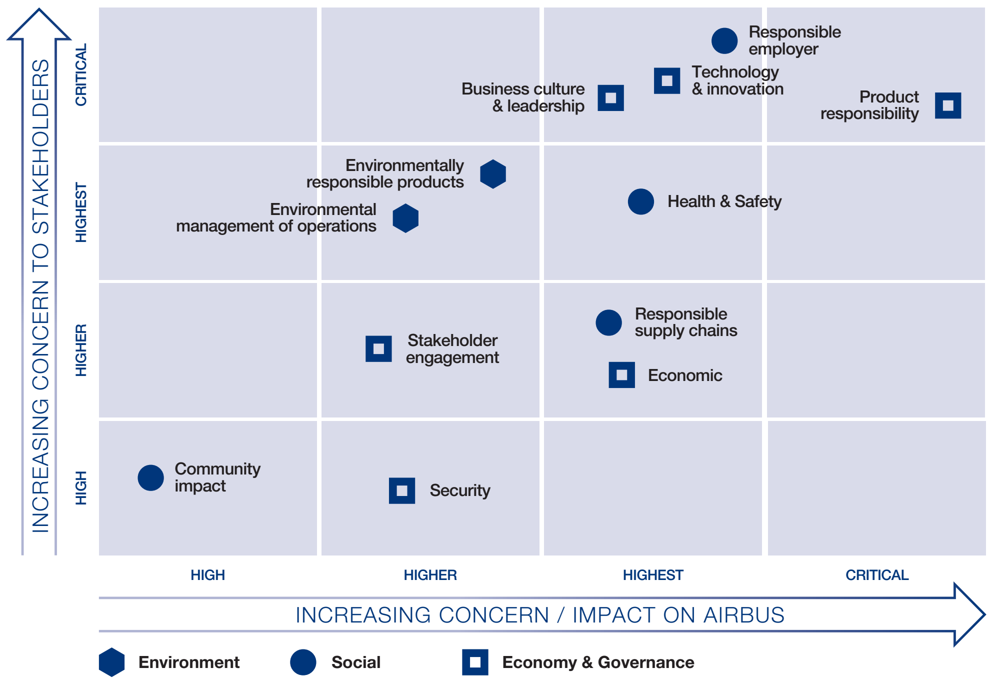
The Company's main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

- 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 has performed a materiality assessment in 2017. With the support of consultants, Airbus approached a set of stakeholders representing customers, works councils, local community partners, NGOs, technological partners, investors, airworthiness authorities, MROs, government bodies, suppliers and industry associations. Airbus chose a qualitative approach rather than a quantitative approach. In-depth interviews were conducted with external stakeholders. 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. The outcome of this assessment was shared with top management.

MATERIALITY MATRIX 2017



UN Sustainable Development Goals

Airbus is committed to the UN Global Compact principles and has reached the "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 (including the Company's web site, annual report and press releases). It 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.

Throughout 2017, Airbus continued the mapping internally and identified KPIs to assess its overall contributions to the above SDGs. Measurement will start in 2018.

Responsibility & Sustainability Charter

In 2017, Airbus has outlined its commitments in a new R&S Charter. The aim of the Charter is to demonstrate how Airbus intends to contribute to the requirements and needs of society and how employees will live Airbus' six values in their daily work with all stakeholders whether customers, suppliers, partners, shareholders. The Charter is available at **www.airbus.com**.

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. They are fully embedded into the Company's culture and processes. At Airbus, heads of programmes and functions, supported by their respective specialists, shall ensure proper deployment of the Company's policies, management of Enterprise Risk Management (ERM) in their fields as well as duly reporting issues to top management. Airbus' approach is thus based on its existing strengths:

1) strong management process already established and adopted by employees;

2) empowerment of specialists;

3) 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. Airbus is also working to ensure that internal processes will be adjusted in order to ensure the efficiency of all measures.

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. 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. The ERM team also adjusted its procedures so that these potential new risks and their likely adverse impacts can be duly assessed throughout the Company. For each risk, a dedicated action plan is being defined by the responsible team who will monitor its deployment throughout the Company. The potential new risks and related action plans will be consolidated and reported to the top management of the Company. For a complete description of Airbus' ERM system, see "— Corporate Governance — 4.1.3 Enterprise Risk Management System".

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. Subject to regulatory approval, Airbus intends for employees to be able to raise their concerns, if any, about violations of human rights and fundamental freedoms, health and safety and environmental policies.

Airbus is also reinforcing its training for employees related to human rights as well as other topics related to responsibility and sustainability. Airbus currently proposes over 80 e-learning courses on labour relations, diversity, environmental and health and safety matters to its employees. In addition, the Company also provides training to its employees on the Airbus Standards of Business Conduct. Finally, a R&S learning programme targeting employees to be trained on new regulations and supporting cultural change will be developed and launched in 2018.

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. Currently, Airbus and its Divisions have different governance directives for the affiliates in their respective scopes with the aim to have a single governance directive in 2018. The objective of the corporate governance directives for Airbus' affiliates is to define rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. The document is used to assist Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus' ongoing commitment to high standards of corporate governance.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where the 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. The board will consider the affiliate's accounts, the operating and development plans, the Company performance versus the allocated targets, human resources topics and ERM. 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 CSR-related policies throughout the Company, Airbus' head of Subsidiaries and Affiliates has joined the R&S Network while, in return, each impacted function has appointed an official point of contact that can support affiliates in the implementation of these policies.

In 2018, Airbus will update its directive on CSR-related policies requirements applicable to its affiliates. Airbus will communicate the necessity to ensure deployment and monitoring of the following policies described in this chapter:

- International Framework Agreement;
- Agreement on the European Works Council;
- Supplier Code of Conduct;
- Health & Safety Policy;
- Standard of Business Conduct;
- Environmental Policy;
- Airbus Anti-corruption Policy and Directives.

Affiliates will be asked to evaluate the newly identified potential risks via the Airbus ERM system as well as to regularly monitor them as part of their risk assessment process. Airbus will ensure that the procedures to assess, investigate and manage allegations are well-aligned throughout the Company. In addition, a self-assessment of affiliates regarding social, human rights, and environmental matters will be organised, starting in 2018.

For its principal joint ventures, Airbus will ensure the proper application of its policies or those of its partner.

The overall plan will be shared with employees throughout the year.

A dedicated programme has been launched by the Procurement function in order to monitor Airbus' suppliers and develop processes to identify potential serious harm to human rights, fundamental freedom, health and safety and the environment with the aim of preventing them. For more information, see the dedicated chapter on the supply chain, including the vigilance plan for suppliers, under chapter 1.1.8.4 (b) Responsible Suppliers.

1.1.8.2 Responsible Manufacturer

a. Product Safety

Airbus recognises and values the trust the flying public puts in its aircraft, and this is the reason the Company constantly strives to improve safety any way it can. Its investment in successive generations of aircraft which embody new and safer technologies have been very successful in achieving an ever-decreasing number of accidents despite an ever-increasing number of flights.

Today, with the rate of accidents at an all-time low, Airbus is working even harder to ensure that accidents remain rare events.

This is why it is Airbus' top priority to continually improve safety. Its commitment to safety starts at the top, is reflected in the structure of its organisation, and is most deeply embodied in the mind-set employees bring to work.

At every point in design, manufacturing and assembly, Airbus makes sure that its aircraft not only comply with but exceed the safety requirements laid down by the European Aviation Safety Authority (EASA) and the US Federal Aviation Authority (FAA). The development of the Fly-By-Wire and flight envelope protection technologies more than 25 years ago, or more recently the Runway Overrun Prevention System, are examples of significant contributions to safety introduced by Airbus and now becoming industry standards.

Whenever safety topics must be discussed, it is done at the appropriate level, including by Airbus' senior executives. By acting together, the Company ensures that the full power of coordinated cross-company action can be brought to bear on any issue where it is believed that safety can be further enhanced.

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. In this way, Airbus is actively enhancing the safety level for its products and helping to advance the safety level for the whole industry.

The PSP is now evolving to be part of Airbus' Safety Management System (SMS), formalising Airbus' evolution to a risk management approach to safety. Both the PSP and the SMS rely on a network of safety representatives within each Division of the Company. All Airbus employees, including those in the safety network, are trained to recognise that the lives of passengers and airline personnel can depend on their personal commitment to safety, and to ensure that they are aware of how their personal actions can improve safety.

Airbus and its employees at all levels therefore work hard to ensure safety in:

- the design of aircraft to higher levels than those required by EASA/FAA Part 25 regulations;
- the quality of manufacturing in line with its EN 9001 certification;
- the materials/manuals supplied to customers to operate and maintain the aircraft;
- the training provided to flight crews, cabin crews and maintenance crews;
- the worldwide services delivered in support of the aircraft's operation.

Yet what makes a flight safe is a combination of a safe aircraft, safe airline operations and a safe air transport system. Therefore, even if the primary responsibility of Airbus as a manufacturer is the aircraft, the scope of safety at Airbus reaches beyond the product and also includes an active role at the air transport system level.

Airbus is in constant contact with other aircraft manufacturers, airlines and air safety organisations around the world to find new ways of improving safety standards. The Company believes that industry wide cooperation is crucial to making further safety enhancements.

Airbus has put in place a harmonised approach to product safety throughout the Company. Similar processes and tools to those described above for Airbus commercial aviation are in place at Airbus' Divisions, Defence and Space and Helicopters. These include a dedicated Product Safety function, which is empowered to take action across the business to ensure the safety of all operations, daily monitoring and management of safety topics and deployment of a SMS as well as related specific organisation approvals by competent organisations. However, the implementation of these harmonised processes was adjusted to the specificities of their activities and of the regulatory requirements. For example, there is no regulation to manage companies and official organisations' participation in safety investigation for the military world. In addition, due to the nature of military activities, investigation are often classified as confidential or restricted for officials.

b. Research & Technology

In 2017, CTO underwent a transformation programme to become more agile, innovative and aligned with the needs of Airbus. The new organisation applies a lean, project-based approach, will encourage collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts.

The CTO organisation 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 developed a set of technology roadmaps spanning the R&T portfolio, which are used to analyse technology progression using key figures of merit and is starting to provide a valuation methodology for the R&T activities.

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 organised in five boost areas – Data Science, Materials, Communication Technologies, Electrics Expertise and Virtual Product Engineering. A research vision and new ways of working were implemented with a short cycle for testing new ideas and decision gates for the creation of larger projects. The transitioning from the former Airbus Group Innovations is ongoing through 2018.

Airbus R&T portfolio will be organised in three areas starting in 2018 to better adapt to Airbus product policy and business needs – Enhancing our Aircraft Programmes, Next New Aircraft, and Digital Design & Manufacturing. The organisation started a transformation programme aiming for speed, agility and high performance with a flatter hierarchy and empowered teams.

In addition to the domains described above, five technology thrusts were established to ensure coherency in the portfolio of activities and to rapidly advance strategic priorities. These thrusts are:

- Electrification;
- Digital Design and Manufacturing;
- Connectivity;
- Autonomy;
- Materials.

Key Progress in 2017

Flight Demonstrators

- E-Fan X Programme
  The E-Fan family of technology demonstrators was 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. In March 2017, the Airbus Executive Technical Council decided to refocus Airbus' efforts on electric flight towards a more ambitious project, which aims to develop a hybrid-electric demonstrator baptised the "E-Fan X", a stepping stone towards a hybrid electric single aisle aircraft. In November 2017, E-Fan X was launched in conjunction with Siemens and Rolls-Royce. E-Fan X will be powered by a 2 MW motor, which is one order of magnitude greater than E-Fan 2.0's motor.
- E-Aircraft Systems House (EAS)
  The EAS aims to verify hybrid- and electric propulsion systems functionality and performance for low, medium, and high-power systems by ground testing, accelerating technology readiness in collaboration with Siemens and developing and supplying hybrid-electric propulsion systems and hardware for Flight Demonstrators.
  In 2017, it continued to support electrification projects, including providing the test bench for CityAirbus.

A³

A³ (pronounced "A-cubed"), is the advanced projects and partnerships outpost of Airbus in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** launched in 2017 to help integrate 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. A³ is aiming to make it the first certified passenger aircraft without a pilot. The first Vahana full-size prototype is scheduled to fly in early 2018.
- **Transpose**, launched in December 2016, rethinks the aircraft cabin architecture and passenger experience possibilities. The project demonstrated user tests in a modular cabin in its alpha phase.
- **Voom** delivers an on-demand urban air mobility service using helicopters. It successfully completed its beta phase pilot in Sao Paulo, Brazil, and will continue as a business in 2018 within Airbus Helicopters.
- **Airbus China Innovation Centre (ACIC):** This year, a second innovation centre was opened in Shenzhen, China. Like A³, it is focused on technologies and business models that could be disruptive to the core business. However, it will leverage the hardware ecosystem in Shenzhen, and talent pool in China to develop projects. The first ACIC project will be launched in 2018.

BizLab

Airbus BizLab is the aerospace accelerator where startups and Airbus intrapreneurs 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. The BizLab expanded its network by opening a fourth campus, in Madrid, in January 2018.

Airbus Helicopters

CityAirbus is a three-to-four passenger optionally piloted electric vehicle for unmanned air mobility. It has transitioned into Airbus Helicopters from the ExO and expects an unmanned flight test in 2018. The urban last mile delivery solution, Skyways, plans a demonstration in February 2018, after which it will be transitioned into Airbus Defence and Space.

Airbus Defence and Space

Airbus Aerial is an image and data analytics services company that was launched in 2017. It integrates data from a broad array of aerospace assets including satellites and unmanned aerial vehicles. At the end of 2017, it employed 22 people.

c. Environmental Matters

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 CO_2 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. This is done through continually seeking to reduce the carbon intensity of Airbus' industrial operations and working together with Airbus' suppliers, industry and government stakeholders in its aim to find sustainable solutions to reduce the environmental impact of its products, deliver its ambitious sectorial emission reduction goals, as well as preparing adaptation to the effects of climate change on its operations.

One of these challenges is the elimination of substances from its products and processes that may pose a risk to human health or the environment, which will be addressed later in this section.

1. Environmental Management at Airbus

"Shaping our future" means that Airbus develops products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. Incorporating environmental values into its core policy not only improves the management of operational business risks and opportunities but also enhances the long-term sustainability of its business.

Alongside the Company's environmental policy in pursuit of eco-efficiency, Airbus has developed an aspirational long-term ambition for 2050 setting the direction for the Company regarding environmental matters, providing a framework to set up concrete environmental objectives for the short- and mid-term.

The Company's **2050 Ambition** covers the three following complementary directions:

- operating Airbus sites without impact on climate change by eliminating greenhouse gas emissions, with zero air and water emissions, zero waste to landfill and minimal natural resources consumption;
- delivering products which provide maximised value to customers whilst meeting expectations of society through minimised impact on climate, air emissions and noise, management of substances of concern aiming at their elimination and maximised reliability, throughout the product lifecycle;
- engaging the supply chain in the Company's ambitious objectives.

In 2015, an Environment Steering Committee was created to manage all matters related to the environment. The Steering Committee meets four times a year and is composed of the heads of Environment for Airbus Commercial Aircraft, Helicopters and Defence and Space, as well as a representative from the R&S department. Its role is to develop and define the environmental policy and associated objectives and agree on a common approach for the management of the environment throughout the Company.

Airbus has put in place a robust **Environmental Management System** (EMS) centrally and within its Divisions. One of the functions of the Airbus EMS is to track the enhancement of its environmental performance as it includes identifying, managing, monitoring and controlling an organisation's environmental issues. Airbus' EMS is guided by the latest version of the international environmental standard, ISO 14001: 2015 version. The 2015 version has a broader scope than previous standards, and Airbus was among the first aerospace companies to adopt it.

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 – energy and water consumption, CO_2 and VOC emissions and waste generation – as well as qualitative data – certification, incidents, activities on site. This enables Airbus to measure its environmental impact, follow its performance and communicate information on environmental matters to internal and external stakeholders. The Company's commitment to eco-efficiency is demonstrated through its transparent reporting.

In the future, the reporting of environmental indicators will include relevant categories of Scope 3 emissions for Airbus' operations. This will provide greater understanding of the impact on the environment of activities under Airbus' control.

Working in Cooperation

Airbus understands the importance of working together with other stakeholders to find solutions.

Engagement within the International Aerospace Environmental Group (IAEG). Airbus is a Founding Member of 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 for implementation of environmental requirements in the aerospace industry.

Airbus is an active board member of the Air Transport Action Group (ATAG) which sets goals and mobilises action on strategic aviation issues such as climate change through involvement throughout the industry (*i.e.* with other manufacturers, airlines, airports, air traffic management).

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, CO_2). Airbus has shown a long-term commitment to support the need for global civil aviation governance, with ICAO as its corner-stone, working together with stakeholders across the aviation industry and with the relevant governmental agencies.

Airbus, with the rest of the aviation industry, has supported the ICAO agreements in 2016 on the CO_2 standard and Carbon Offsetting & Reduction Scheme for Aviation (CORSIA), the new international carbon offsetting scheme for aviation.

Airbus continues to proactively support emissions and noise reduction once its aircraft go into service. This could be through fuel efficiency services, weight saving projects, retrofits (*i.e.* sharklets) and ground operations (*i.e.* eTaxi). In 2015, Airbus launched the Sustainable Aviation Engagement Programme, establishing long-term cooperations with various Airbus operators to offer ways to reduce their environmental footprint.

Clean Sky was at the time of its launch the largest European research programme funded by the EU, developing innovative, cutting-edge technology aimed at reducing CO_2, gas emissions and noise levels produced by aircraft. As part of this programme, Airbus developed the Bluecopter concept, which demonstrates a number of fuel saving and noise reduction technologies. It is already the quietest helicopter worldwide in its category, and also the first to reach the noise category A+. The demonstrator underwent a stringent flight test campaign until April 2017 in order to validate the effectiveness of the technologies developed in the frame of the CleanSky programme.

In September 2017, the Company used a modified A340 aircraft to test the laminar flow concept developed by Clean Sky. The BLADE project aims to reduce wing friction by 50% and reduce CO_2 emissions by up to 5%.

2. Environmental Concerns

Regulated substances across its products' lifecycles

Aerospace manufacturing, operations and maintenance rely on certain regulated substances to achieve a high level of quality, safety and reliability accounting for lengthy product lifecycles. Some of these substances are or may in the future be classified as substances that may pose a risk to human health or the environment. These type of risks depend on many factors such as the category of classification, but also the operational use of these substances under applicable laws/regulations laying down occupational exposure limits, and the lifecycle stage of the products.

If a substance not yet identified is classified in the future as one that may pose a risk to human health or the environment, this may give rise to substantial costs for Airbus to manage it, including, for example, research and development (whether alone or in cooperation with other stakeholders) of suitable alternatives, testing, qualification and certification costs. Any reputational risk and potential claim against Airbus that may result will also need to be managed.

Airbus continues in its activity (also in cooperation with industry stakeholders) to identify 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.

Airbus identifies, tracks and declares regulated substances. The Company has already substituted certain substances of concern or developed replacement technology where suitable alternatives have been found, such as some ozone-depleting substances (ODS), fluorinated gases, or substances of very high concern (SVHCs) under the European regulation REACH. On top of all applicable regulatory requirements, more than 100 substances have been targeted by Airbus for substitution and the Company is always looking for new solutions. For example, Airbus Commercial Aircraft launched the Airbus chromate free project in 2006. The project has so far delivered substitution solutions for a considerable number of usages and continues efforts to substitute the remaining ones. One of the first steps was to deploy chromate-free surface protection systems, with among others, operational changes and replacement within Airbus' production lines. Over 100 suppliers are now "qualified" to use chromate-free pickling before anodisation.

Within IAEG, Airbus contributed to the creation of the IAEG "Aerospace and Defence Declarable Substances List" (AD-DSL) and the associated declaration standard (IPC-1754). The AD-DSL provides an initial common list of chemicals/substances identified and reviewed by IAEG as used within the aerospace and defence supply chain and thus will make it easier to work with regulatory agencies to appropriately manage regulated substances and chemicals used in manufacturing.

Surface modification by laser is a new technology developed by Defence and Space to replace the use of substances for some processes, notably for pre-treatment before bonding. This technology is now available for some Space Systems applications and is planned to be implemented into the serial production of flight hardware for New Generation Synthetic Aperture Radar satellites (NGSAR).

Environmental impact of Airbus 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 hotspots is ongoing to help focus on appropriate topics.

Analysis of the current trends shows that the 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). In addition, the expectations of stakeholders (including citizens, investors) are also elements that increase pressure towards low carbon and sustainable production patterns. Since 2015, Airbus has been developing its plan for the next decade to prepare for upcoming regulatory developments, maintaining employee engagement and proposing solutions to stakeholders' expectations.

Airbus has committed and continues to commit to setting up ambitious short-, mid- and long-term environmental targets. In 2006, Airbus set up the environmental vision for 2020 with goals for reduction of energy consumption, CO_2 emissions, water consumption, VOC emissions and waste production. To fulfil its commitments, Airbus developed innovative projects, continuous improvement mind-set and practices sharing and participates in projects with other stakeholders.

Airbus has also set an extended 2030 Vision, with operational objectives on Airbus manufacturing activities but also encompassing suppliers. Airbus wants to engage in ambitious environmental objectives in its aim to:

- enhance the use of environmental risk evaluation for consideration as a quantitative input during supplier selection, contracting and auditing phases;
- divert waste from landfilling and incineration;
- comply with air emissions regulations and absorb ramp up production impacts;
- comply with GHG emissions regulations (and compatible with the global 2°C trajectory) and absorb ramp up production energy impacts;
- develop strong maintenance and rehabilitation programs to improve reliability and lower water costs.

To highlight the importance of CO_2 impact in design and operation of plants, an initiative is being developed to set an internal "Carbon Price" to be used in the trade-off between different solutions. This may be used for industrial projects and 2030 Vision would integrate a progressive increase in the Carbon Price as a further carbon-reduction incentive and to bring greater appreciation of the CO_2 impact in the near future.

Airbus monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. The performance linked to 2020 Vision results shows good progress (by reference to a baseline of 2006 at constant revenue and production) in different areas: energy consumption (stationary sources) has decreased by 37%, CO_2 emissions by 42% (scope 1 stationary sources + scope 2 total), while water consumption has been cut by 48% and waste by 41%.

Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators. The current reporting covers Scope 1 and Scope 2 emissions.

Environmental performance	GRI	KPI	Unit	2017	2016
Energy	EN3	**Total energy consumption (excluded electricity generated by CHP on site for own use) ✔**	**MWh**	**4,098,475**	**3,893,111**
		Energy consumption from stationary sources ✔	**MWh**	**1,357,724**	**1,395,192**
		of which			
		natural gas consumption	MWh	1,298,639	1,335,263
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	13,782	12,170
		liquefied petroleum gas consumption	MWh	357	360
		propane consumption	MWh	1,356	3,883
		biomass consumption	MWh	43,117	43,517
		Energy consumption from mobile sources ✔	**MWh**	**1,206,689**	**1,045,159**
		of which			
		gasoline consumption	MWh	2,749	2,769
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	26,020	27,166
		liquefied petroleum gas consumption	MWh	5	118
		propane consumption	MWh	1,736	1,700
		jet fuel aircraft / kerosene consumption	MWh	1,172,453	1,010,647
		▪ flight tests	MWh	687,071	559,106
		▪ Beluga	MWh	485,382	451,540
		aviation gasoline consumption	MWh	3,448	2,760
	EN4	**Total electricity consumption ✔**	**MWh**	**1,534,062**	**1,452,760**
		of which			
		purchased electricity consumption	MWh	1,405,920	1,371,842
		purchased heat/steam	MWh	127,899	80,671
		generated electricity from photovoltaic on-site for own use	MWh	242	247
		generated electricity from other renewable source on-site for own use	MWh	0	0
		Generated electricity from CHP on-site for own use ✔	MWh	190,127	188,144
Air emissions	EN16	**Total CO_2 emissions**	**tonnes CO_2**	**1,013,101**	**935,402**
		Total direct CO_2 emissions (Scope 1) ✔	**tonnes CO_2**	**591,002**	**557,447**
		of which			
		CO_2 emissions from stationary sources	tonnes CO_2	265,350	272,679
		CO_2 emissions from mobile sources	tonnes CO_2	311,036	269,493
		CO_2 emissions from fugitive sources	tonnes CO_2	14,579	15,203
		CO_2 emissions from processes on site	tonnes CO_2	37	72
		Total indirect CO_2 emissions (Scope 2) ✔	**tonnes CO_2**	**422,099**	**377,955**
	EN20	**Total VOC emissions***	**tonnes**	**1,565**	**1,539**
		Total SOx emissions	**tonnes**	**15**	**15**
		Total NO_x emissions	**tonnes**	**314**	**241**

Environmental performance	GRI	KPI	Unit	2017	2016
Water	EN8	**Total water consumption ✔**	m3	**4,011,897**	**3,834,265**
		of which			
		purchased water	%	*76,5%*	*76,4%*
		abstracted ground water	%	*19,3%*	*20,0%*
		withdrawn surface water	%	*4,0%*	*3,5%*
		rainwater collected used	%	*0,2%*	*0,1%*
	EN21	**Total water discharge**	m^3	**3,416,506**	**3,464,179**
		of which water discharged via an internal pre-treatment plant	m^3	214,200	228,428
Waste	EN22	**Total waste production, excluding exceptional waste ✔**	tonnes	**105,839**	**104,505**
		of which			
		non-hazardous waste	tonnes	77,073	77,835
	EN24	hazardous waste	tonnes	28,766	26,670
		waste going to material recovery	tonnes	61,933	62,344
		waste going to energy recovery	tonnes	21,844	21,954
		Material recovery rate ✔	%	*58,5%*	*59,7%*
		Energy recovery rate	%	*20,6%*	*21,0%*
EMS certification		Number of sites with ISO 14001 /EMAS certification**	unit	61	61
		Percentage of workforce covered by ISO 14001 & environmental reporting	%	90%	86%

✔ Data audited by Ernst & Young et Associés. Limited assurance report is available on **www.airbus.com**
2017 data covers 89% of total Company employees.
2016 data correspond to the data validated by the external third party in 2016, without any recalculation to take into account perimeters movements, which can explain some of the observed variances.
* 2017 VOC emissions data is estimated. The consolidated 2017 data will only be available following publication of the Registration Document.
** Number of sites covered by the environmental reporting which are certified ISO 14001.
Only 100% consolidated entities are taken into account. The data here results from Airbus' worldwide reporting campaign, carried out by the Environmental network. Airbus environmental reporting includes all 100% consolidated companies with more than 50 employees, which represent 99% of Airbus' total workforce. Among these companies, 90% had reporting contributors and tools. Note that some entities with less than 50 employees are taken into account in the reporting, as they are included in bigger entities which report their environmental data.

Environmental Impact of its Products in Operation

In the last 50 years, the aviation industry has cut fuel burn and CO_2 emissions per seat / kilometre by more than 80%, NO_x emissions by 90% and noise by 75%. Whilst this performance is impressive, high predicted traffic growth (5% *per annum*), aviation's short to medium-term reliance on fossil-based fuels and the potential impacts of non-CO_2 factors, the aviation industry faces a significant challenge in reducing its impact on climate change.

To address the CO_2 challenge, Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to the ATAG CO_2 emission goals:

- improve fleet fuel efficiency of 1.5% per year by 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 goals will require a truly collaborative approach across the industry, focused on a combination of improvement measures including technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and global market based measures (MBMs).

Progress has been made on the first two of ATAG emission targets:

- by delivering aircraft such as the A350 XWB, 25% more efficient than the previous generation aircraft and the A320neo with -15% to -20% fuel burn compared to A320ceo, the average increase in global fleet fuel efficiency has been over 2% *per annum* over the last five years;
- alongside reducing CO_2 emissions, Airbus aircraft also offer significant improvements in both noise and NO_x emissions reduction: A350 XWB with up to 21 dB lower noise and 27% lower NO_x emission compared to current industry standards, A320neo with up to 20dB lower noise and 50% lower NO_x emission compared to current industry standards. The new H160 helicopter brings noise levels down by 50% compared to previous generation helicopters;

- the recently agreed ICAO CORSIA will also play an important role in achieving CNG from 2020.

For the ambitious long-term 2050 target, clearly Airbus and the wider industry do not have all the answers today. Such significant reductions will require disruptive approaches in technology (*i.e.* hybrid electric), significant quantities of low carbon fuels, innovative ways of operating the aircraft (eTaxi, formation flight) and sustainable ways to offset emissions.

In reaching this ambition Airbus is working on a wide range of innovative technologies that have the potential for significant environmental benefits:

- propulsion integration: from advanced turbofans to hybrid distributed propulsion (*i.e.* electrification);
- aerodynamics: from advanced wingtip devices to natural and hybrid laminar flow;
- structures: from innovative materials to bionic structures;
- systems & cabin: from paperless/wireless to more electrical systems;
- operations: from noise to climate-optimised trajectories;
- manufacturing: from direct printing to 3-D printing;
- aircraft configuration: from integrated airplanes to disruptive configurations.

Electrification and hybridisation can bring significant benefits in addressing CO_2, noise and NO_x emissions. Airbus is driving a step change in air vehicle performance, first through small, short-range vertical take-off and landing (VTOL) urban air mobility demonstrator projects like Vahana and CityAirbus. In the longer term Airbus will also look at larger commercial aircraft.

Airbus' engagement also extends to promoting the commercialisation of sustainable aviation fuels. For example, in order to make a step towards regular distribution of BioJet, Airbus and Total are working in cooperation to use sustainable fuels on ferry flights from Toulouse to Hong Kong. A biofuel delivery platform has been set-up and is in service in Toulouse.

Recyclability and waste management are important topics that Airbus is tackling in cooperation with other entities. With TARMAC Aerosave, a joint venture between Airbus, SNECMA 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. Airbus is also investigating with certain operators innovative solutions to improve the in-flight cabin waste management.

d. Responsible Defence and Space Products

Airbus works together with states, international organisations and customers to create better defence solutions for a safer and more prosperous world. Its military aircraft, Earth observation satellites and security technologies help protect freedom and democratic values by enabling governments to guarantee their sovereignty and combat changing terrorism threats and cybercrime.

It is one of Airbus' aims to support the EU/NATO governments in their efforts to make the world a safer place. To fulfil their mission to guarantee sovereignty, security and human rights, these nations require equipment and defence systems that they themselves define. Airbus supports the EU/NATO governments – which constitute the majority of Airbus' customer base – in this task by supplying the necessary equipment.

Airbus defence technologies can also be used to solve societal challenges. More ways are being explored for observation or communication satellites to contribute to solving some global challenges such as climate change, fast and reliable internet connection or security. Recent projects include:

- Sentinel-5 Precursor, which is part of the joint European Commission–European Space Agency global monitoring programme Copernicus, aims to acquire continuous and accurate Earth observation data and provide services to improve the management of the environment, understand and mitigate the effects of climate change, and ensure civil security;
- Spationav is the coastal protection project of Signalis France, ensuring maritime security in France. Its mission is to protect human life, the coastal environment and French national interests while covering 6,000 kilometres of coastline with 5,000 ships tracked each minute. Spationav is counteracting illegal activities such as smuggling and terrorism;
- the Global Earth Observation Challenge organised by Defence and Space rewarded in October 2017, six start-ups that innovate and develop new applications primarily based on Airbus' satellite data. Among them, two projects were linked to monitor environmental impacts: Ozius (Australia) creates new landscape intelligence by fusing a variety of remote sensing data to identify where the environmental risks and opportunities occurred in the past, where they are today, and project where they will occur in the future; Kermap (France) uses satellite imagery to support the ecological transition of cities;
- TeSeR is the next EU project to clean up space, which is led by Airbus. Technology for Self-Removal of Spacecraft (TeSeR) aims to reduce the risk of spacecraft colliding with debris in space and provide a sustainable space environment for future generations;
- the OneWeb Satellites JV is building a communications network with a constellation of low Earth orbit (LEO) satellites, with a goal of enabling access to billions of people around the world. With more than 7 terabits per second of new capacity, it aims to transparently extend the networks of mobile operators and ISP's to serve new coverage areas, bringing voice and data access to consumers, businesses, schools, healthcare institutions and other end users.

Finally, the Airbus Foundation, which will be discussed later in this chapter, is multiplying partnerships in order to leverage Airbus' know-how and technologies to be applied to the humanitarian sector, with UAVs, satellite imagery and decontamination projects in particular.

1.1.8.3 Responsible Employer

a. Airbus' Workforce

As of 31 December 2017, Airbus' workforce amounted to 129,442 employees (compared to 133,782 employees in 2016), 95.8% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2017. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2017, 7,318 employees worldwide were welcomed into Airbus (compared to 7,532 in 2016 and 5,266 in 2015). At the same time, 5,151 employees left Airbus including partial retirements (compared to 4,698 in 2016 and 4,870 in 2015).

In terms of nationalities, 37.3% of Airbus' employees are from France, 32.1% from Germany, 9.4% from the UK and 9.8% from Spain. US nationals account for 1.9% of employees. The remaining 9.6% are employees coming from a total of 127 other countries. In total, 92.1% of Airbus' active workforce is located in Europe on more than 100 sites.

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 2017**	31 December 2016	31 December 2015
Airbus Commercial Aircraft ✔	74,542	73,852	72,816
Airbus Helicopters ✔	20,161	22,507	22,520
Airbus Defence and Space ✔	32,171	34,397	38,206
Airbus former HQ(1) ✔	2,568	3,026	3,032
Group Total ✔	**129,442**	**133,782**	**136,574**

(1) "Airbus former HQ" includes Headquarters, Shared Services and Innovation Works.

Employees by geographic area	**31 December 2017**	31 December 2016	31 December 2015
France ✔	47,865	47,963	50,810
Germany ✔	44,214	46,713	47,796
Spain ✔	13,177	12,682	12,521
UK ✔	11,304	12,020	12,157
US ✔	2,707	2,829	2,821
Other Countries ✔	10,175	11,575	10,469
Group Total ✔	**129,442**	**133,782**	**136,574**

% Part time employees	**31 December 2017**	31 December 2016	31 December 2015
Group Total ✔	**4.2%**	**4.1%**	**3.9%**

Active Workforce by contract type	**31 December 2017**	31 December 2016	31 December 2015
Unlimited contract ✔	126,534	131,153	133,650
Limited contract > 3 months ✔	2,908	2,629	2,924

% Active Workforce by Age	31 December 2017	31 December 2016	31 December 2015
<20 ✔	0.1%	0.2%	0.2%
20-29 ✔	10.1%	10.4%	10.6%
30-39 ✔	29.4%	29.5%	29.7%
40-49 ✔	28.4%	27.9%	27.9%
50-59 ✔	26.8%	27.1%	27.1%
60+ ✔	5.1%	4.9%	4.6%

	31 December 2017	31 December 2016	31 December 2015
Employee Turnover Rate* ✔	4.0%	3.6%	3.6%

✔ Data audited by Ernst & Young et Associés. Limited assurance report is available on www.airbus.com.
* The turnover rate does not include departures of the non-active workers.

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 Human Resource (HR) structure reporting covers about 97% of Airbus' consolidated companies, including all employees of these companies, irrespective of their individual consolidation quota (except for the part time employee indicator where coverage is 96%). This includes employees working for the Company or its subsidiaries in France, Germany, Spain, Great Britain and internationally. In total, about 3% of the companies belonging to Airbus – usually recently acquired – are not included in the scope, as no detailed employee data is available at Group level. The coverage rate is calculated on the basis of the number of employees (active work force).

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.

HR places people at the heart of Airbus' future success.

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.

The employees of Airbus will be informed, either orally or in writing, of all the provisions of this framework agreement, in accordance with the relevant legal form and/or local practice.

The provisions of this framework agreement define Airbus' standards to be applied wherever Airbus operates, insofar as more favourable conditions do not exist already. Airbus central management shall take appropriate measures to eliminate any breach of the aforesaid principles.

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. In 2016, for example, Airbus organised 16 meetings with SEWC while the agreement stipulates three mandatory meetings per year.

Human Rights

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain.

Airbus is committed to promote awareness through internal communication initiatives and awareness sessions and to train its employees worldwide on potential risks. Related risks will now be monitored via the Airbus ERM process throughout the entire Company. Finally, subject to regulatory approval, Airbus intends to extend its existing OpenLine to concerns related to human rights and fundamental freedom.

Airbus acknowledges its role in promoting responsible business practices worldwide. To that end Airbus now seeks to identify risks related to human rights violations in its ERM system. Risk evaluation will start in 2018. KPIs as part of Airbus' commitments related to the UK Modern Slavery Act will be identified in 2018. Human rights is also a topic addressed in the Airbus Supplier R&S Programme.

2017 Achievements

In 2017, Airbus provided more than 1.7 million training hours. Moreover, in 2017 more than 42,000 employees benefitted from the development, evaluation 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.

	2017	2016	2015
Total number of Training Hours	*	2,320,508	2,264,145
Total number of Training Participants	*	214,819	226,692
Number of Classroom Training**	161,419***	-	-
Number of Digital Learning**	193,200***	-	-

* Change of reporting in 2017, no numbers reported for 2017.
** New reporting scope since 2017. 51.7% digital learning in the 2017 learning plan (Active Workforce from fully-consolidated entities at 31 December 2017).
*** These figures include training sessions provided by Airbus, including to externals, to employees in subsidiaries, and to employees that have since left the Group.

On a more restrictive HR perimeter (Active Workforce from fully-consolidated entities at 31 December 2017), the number of training sessions are the following:

- number of classroom training: 134,427 ✔
- number of digital learning: 144,624 ✔

Mobility of employees within or across Divisions is one of the main priorities for the overall benefit of the Company. In 2017, more than 11,000 employees changed jobs cross-divisionally and cross-country. For reference, Airbus has an attrition rate of 2.7% for its core entities and 4.0% when its subsidiaries are included.

In order to drive its digital transformation, Airbus aims to create a people-centric and trusting working environment. Launched at the end of 2015, a company transformation programme called PULSE has been designed to support the people aspects of the business transformation with the objective to increase empowerment, accountability and collaboration through digitally-powered capabilities, reworked HR policies and new ways of working.

In 2017, all Airbus employees were invited to select the Company's values. This inclusive consultation exercise included employees from 17 countries. Around 55,000 employees took part in this campaign and defined the Company's six core values: Integrity, "We are One/Team work!", Customer focus, Creativity, Respect and Reliability.

At Airbus recognition of excellence is key. In 2017, over 1,000 projects were submitted company-wide to participate in the Awards for Excellence scheme. The aim is to reward employees and teams for exceptional achievements, their ways of working and their contribution to improving business performance.

Airbus additionally launched its first *Dream Big Challenge,* inviting employees to propose new products, business and services ideas. Over 700 ideas were submitted in 2017. Following a summit held in November, the three most promising projects were selected to be developed further in incubators and during dedicated worldwide learning expeditions to Airbus' BizLabs.

c. Health & Safety

To sustain its commercial success, attract the best talent and be known as a safe and healthy workplace, it is Airbus policy to continuously reinforce health and safety as part of the business culture, delivering responsible health and safety management that sustainably reduces risk to people, the environment and the business. The purpose of the Airbus health and safety policy is to:

- demonstrate commitment to good management control of health and safety;
- describe the guiding principles for health and safety management;

✔ Data audited by Ernst & Young et Associés. Limited assurance report is available on **www.airbus.com**

- integrate health and safety into company culture, strategy, processes, objectives, and decisions;
- engender the harmonisation of health and safety philosophy and methodology, to gain risk control and efficiency benefits;
- stimulate the sustained reduction of work related health and safety risks, in order to protect people and the Company.

To achieve its policy objective, Airbus is consolidating health and safety resources into a companywide organisation in order to drive effective, efficient risk control. This approach is designed to deliver companywide harmonisation of philosophy and method, with proactive risk assessment and control, role-appropriate competence and development, and active monitoring, analysis and oversight reporting.

Airbus consults employee representatives, for example in direct meetings and committees, and conducts a range of communication campaigns, thereby encouraging all employees to engage in health and safety risk management. Airbus' industrial managers are closely involved in the performance-monitoring process, for example conducting formal "go-look-see" safety tours. All reported incidents are appropriately investigated, using root cause methodology where necessary. Significant incidents and the results of monitoring are discussed by industrial management teams in the regular "Safety, Quality, Cost, Delivery, People" management system or similar processes.

However, health and safety is not only a compliance matter; Airbus strives to improve even further, and so is introducing a formal corporate management framework based on the coming ISO 45001 Standard, which is supported by a common companywide health, safety and environment software platform. This software toolkit, called FISH, will start to be deployed in 2018, and will enhance its Occupational Health, Risk Management and Incident Management capability.

Health and safety concerns caused by work activities include the possibility of injury, physical and mental ill-health, business interruption and regulatory action. Any reputational risk and claim against Airbus that may result will also need to be managed. Data indicates that main causes of injury are slip, trip and fall events and manual handling. Work at height and chemicals present additional concerns. The Company manages risks by applying risk assessment and control processes, enabling continuous risk control improvement.

To support its risk management activities, Airbus has more than 300 courses dedicated to health and safety available in its training catalogue, addressing a wide range of topics including, for example, working at height, first aid, management of substances and materials and psychosocial risk. In 2016 the Company delivered over 260,000 hours of dedicated health and safety training to more than 42,000 individual employees. In 2017, the Company has delivered about 200,000 hours of training to approximately 40,000 participants. In addition, there are over 100 digital health and safety reference courses, which employees can take at any time.

Airbus has health and safety processes for on-site subcontracting and intends to further adapt and develop such processes. Airbus prepares prevention plans in order to identify potential risks and define prevention measures in cooperation with on-site subcontractors, and monitors on-site subcontracting activities.

The health and safety improvement plan includes initiatives to review Airbus' Health and Safety Policy which applies companywide including to affiliates. The corporate health and safety management system is being developed in accordance with the principles of the new ISO 45001 framework. This work will include defining maturity indices and performance indicators.

In order to continuously improve the management of risks, work includes project FISH (the configuration and implementation of a global software platform for health, safety and environmental topics). This will enable the aggregation and analysis of health and safety data to form a risk topography that focuses resources to best effect. It is expected that this project will be completed in 2019. Thus, Airbus intends to report on its health and safety KPI's in the coming years' management reports.

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. But the demographics of the world are changing, and this change impacts Airbus because it affects customers, suppliers, employees and Airbus' candidate pool. Airbus must face the 21st century's challenges with 21st century people and solutions.

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 (if any) 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.

Finally, Airbus offers a wide scope of trainings supporting I&D initiatives and has also embedded a diversity aspect in leadership programmes.

As far as the Airbus Board of Directors is concerned, Airbus is moving in the right direction with 3 women in 2017 compared to not a single woman on the Board in 2013. They are Catherine Guillouard, Claudia Nemat, María Amparo Moraleda Martínez.

For a description of the diversity policy of the Airbus Board of Directors, see "— Corporate Governance — 4.1.1 Corporate Governance Arrangements" under the heading "Board of Directors" and "— Corporate Governance — 4.1.2 Dutch Corporate Governance Code", "Comply or Explain" under the heading "Gender diversity".

	31 December 2017	31 December 2016	31 December 2015
Women in active workforce ✔	17.5%	17.2%	17.2%
Women in management positions ✔	12.4%	11.4%	10.9%

The% of women in management positions only applies to the top 4% of the active workforce.

1.1.8.4. 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.

In 2017, Ethics and Compliance was a top priority for Airbus. In its list of priorities for the year, Airbus set the objective 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".

Airbus also announced the appointment of an Independent Compliance Review Panel (ICPR) composed of eminent external consultants to help Airbus further improve its processes. The ICRP members are Lord Gold from the UK, Noëlle Lenoir from France and Theo Waigel from Germany. All well-versed in compliance monitoring of large corporations, they will have access to all levels of the Company and will report to the Airbus CEO and Board on how to further improve Airbus' compliance processes, policies, organisation and culture.

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). For further information on the investigations, see "— 1.1.7 Legal and Arbitration Proceedings".

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 four key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance, Data Protection Compliance and Procurement 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.

Improving the 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 http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-Anti-Corruption-Policy.pdf) 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, gifts and hospitality exchange and the making of sponsorships and donations.

More broadly, Business Ethics at Airbus also covers other areas such as conflicts of interest, anti-competitive conduct, insider trading, fraud, etc., while also complementing the Airbus Corporate Social Responsibility programme which focuses on managing the social and environmental impacts of Airbus's operations.

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

Airbus is required to handle personal data in accordance with applicable data privacy laws at national, European and international level. In doing so, Airbus seeks to apply a consistent approach, by setting data security standards for personal data processing in line with global best practice. This is embodied in part by its 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), which provide a consistent level of protection for various personal data throughout Airbus.

Procurement Compliance

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 (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). Suppliers are also expected to cascade these principles through their own supply chain. For further information see "— Responsible Suppliers" below.

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 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.

New and Updated Policies

In January 2017, Airbus published a directive defining the requirements for sponsorships, donations and memberships. The directive establishes a Company-wide framework and provides guiding principles and clear instructions on how to request, approve and record contributions.

In February 2017, Airbus published a directive defining the requirements for the prevention of corruption in the engagement of lobbyists and special advisors. The purpose of the directive is to ensure that Airbus' political engagement through lobbyists or special advisors remains fully transparent and ethical, and facilitates Airbus' compliance with all applicable laws.

In June 2017, an updated version of the Airbus Standards of Business Conduct was published, to comply with the requirements of France's new Sapin II law. The updated version defines both bribery and influence peddling, and provides illustrations of each. Changes were also made to cross-refer to the Airbus Anti-Corruption Policy, and to include a new section on Anti-Money Laundering.

In June 2017, an updated version of the Airbus OpenLine Policy was also published, to enhance the provisions to protect the whistleblower from retaliation in line with Sapin II.

In September 2017, Airbus published its revised Business Development Support Initiative Directive (BDSI). The directive defines the Airbus requirements for the prevention of corruption in the engagement of BDSI third parties. It provides employees with step-by-step explanation of the due diligence, engagement, remuneration and monitoring of BDSI third parties.

In October 2017, Airbus published a directive defining the requirements for identifying and mitigating corruption risks in connection with M&A, JV and similar transactions. This directive is intended to help ensure a consistent approach to these matters across Airbus.

Our 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 2017, Airbus conducted 84,273 Ethics & Compliance digital training sessions.

Our Confidential 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 (**https://www.airbusopenline.com/**). The OpenLine enables employees to confidentially raise their concerns via the internet or by phone. Subject to local legal restrictions, the OpenLine alert system has been available for several years to employees in France, Germany, Spain, UK, Canada, Brazil, Australia and the US. In 2014, it was made available to employees in Mexico, China and Saudi Arabia. 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 on the OpenLine please refer to the Airbus Group OpenLine Policy (available at **https://www.airbusopenline.com/PoliciesAndNotices**). Employees, customers, suppliers and third-party intermediaries are encouraged to share their concerns with management or with Ethics & Compliance resources.

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 15,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2016, Airbus spent around €49 billion with its suppliers. The Procurement function is improving its performance through creating a more integrated, effective and lean organisation. It aims at increasing harmonisation of internal and supplier-related processes, job profiles, training processes and tools.

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.

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. The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management. This Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). It has been developed with the International Forum on Business Ethical Conduct (IFBEC) in 2015 in the form of a Model Supplier Code of Conduct. Airbus is proud to be a co-founder of IFBEC, which supports the application of global standards for business ethics and compliance in the aerospace and defence industries. Airbus implemented the 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 Code and to conduct business in accordance with all applicable laws and regulations of their operating markets, the countries in which operations are managed, or services provided. Suppliers are also expected to cascade these principles throughout their own supply chains.

Supplier Quality Audits and Supplier Mapping

Supplier audits and assessments support the goal of ensuring that supplier deliveries meet Airbus' specific requirements. Suppliers whose activities impact the airworthiness of Airbus products are assessed annually, with five areas of performance evaluated: quality, logistics, customer support, commercial performance and technical performance. Around 1,000 audits and assessments have been performed in 2016 for Airbus' commercial aircraft business.

As part of supplier management activities in the field of quality, 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 2016, a total of 6,904 suppliers from 58 countries were identified by the Supplier Mapping tool of which 1,007 were tier-one suppliers, 5,452 second tier suppliers, 445 other tier levels. A total of 97,537 activities were involved and 40 quality alerts resulted from 550 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

Ethics & Compliance Supplier Watchtower

The Ethics & Compliance Supplier Watchtower is managed by the Procurement Compliance department proactively checking specific suppliers for compliance aspects.

Suppliers are 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 in 2017 (about 600 in 2016).

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 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 requirements for suppliers to comply with all applicable laws and regulations regarding production, products and services and 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 to enable safe use, for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System 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 (EORS) assesses the level of maturity of supplier processes for management of Airbus environmental requirements and regulated substances obsolescence management processes. EORS are applicable to all Airbus Commercial Aircraft suppliers – EORS campaigns have targeted the supplier of cabin, systems and equipment, engines and nacelles products.

The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

Zero Tolerance Approach to Modern Slavery in Supply Chain

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain. In June 2017, Airbus published its first public statement on modern slavery as per the requirements of the UK Modern Slavery Act 2015.

Recognising that modern slavery could occur in all areas of its value chain, Airbus has set up a Modern Slavery Steering Group within its UK business. The remit of this cross-functional group is to support and drive Airbus' approach to reducing the risk of modern slavery in its supply chain, and ensure that policy decisions and activities are coordinated, well led and effective.

The Airbus Supplier Code of Conduct includes the requirement to adhere to regulations prohibiting human trafficking and forced or indentured labour. In 2016 and 2017, Airbus held awareness sessions with key people working in its UK Procurement teams on modern slavery. Those sessions included information, guidance and advice on identifying potential risks in the supply chain. More in-depth training sessions took place in 2017 to include key teams in high risk areas, along with on-line training, information bulletins and news articles bringing this important subject to the attention of the wider workforce.

The Airbus "Procurement Academy" provides training on core competences and skills to develop procurement expertise. The Academy has introduced a complete set of common training solutions, covering the full range of supply chain topics, including an external qualification. Additionally, training is offered to suppliers around the world. The Procurement Academy also develops innovative development solutions to prepare Procurement employees to future challenges such as talent development programme, shaping the jobs of the future and connect with the Procurement community on end to end activities.

Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of disabled people 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 2016, the global volume of business with disability friendly companies in France was €37 million with an increase of 30% compared to 2015 for the whole of Airbus in France. 51 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 Compliance 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 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.

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 Compliance Programme, following international guidance such as the OECD guidance on responsible business conduct. The programme has also been designed to increase supplier awareness in these areas to facilitate suppliers' compliance with applicable regulations requiring risk identification and management related to corporate social responsibility (CSR) including environment, health and safety, human rights and anti-corruption matters.

The Supplier R&S Compliance Programme initiated and defined in 2017 will continue and evolve year on year on the principle of continuous improvement. The Supplier R&S Compliance Programme has been presented to and reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Compliance Programme and its activities are managed by the Airbus Procurement 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 CSR-related topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of CSR-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 R&S, Legal and Ethics & Compliance departments.

The Supplier R&S Compliance Programme is based on four key elements:

A. CSR-related risk identification and evaluation

All Procurement related risks are embedded into the Company's ERM system. A specific risk category regarding CSR-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 CSR-related risks, a proactive supplier risk mapping is being performed in line with international guidance. Such risk mapping results from both a country and a purchasing category approach. The CSR-related risks levels per category of purchase have been analysed and reviewed with the relevant Procurement commodities.

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 will continue to be implemented in 2018. Such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower). New mitigation actions such as supplier evaluation will be implemented following a period of trial phase.

B. R&S in supplier selection and contracting

For the last few years, Procurement standard contracts have evolved to include clauses requiring suppliers to comply with all applicable laws and regulations as well as clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption will be incorporated into procurement contract templates to further specify Airbus' requirements in this domain.

Furthermore, Airbus is currently evaluating how to reinforce CSR-related requirements such as those on Human Rights, along the selection and contracting phase with suppliers. During the call for tender phase, results of the CSR-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. Supplier evaluation and continuous improvement

Supplier CSR-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration into Airbus requirements of potential supplier improvement actions. Airbus is currently defining the options for supplier CSR-related evaluation and audits and how to integrate these activities to 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. Once defined and approved, a trial phase will be performed with specific sample of suppliers. Clear guidance on how to manage audit results will be integrated into the relevant Procurement processes.

From 2018 onwards, Airbus will strive to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus' Procurement strategy and is discussed and reviewed by a Steering Committee composed of the Executive Committee of Procurement.

D. R&S in the Procurement process

Airbus is currently assessing all Procurement processes and tools in order to integrate CSR-related requirements where relevant. This will lead in 2018 to the adaptation of Procurement process documentation managed by the Procurement strategy teams. Key documentation such as the Airbus Supplier Code of Conduct or Supplier Integrity Check application will be embedded into the Procurement tools, such as eProc.

c. Local Socio-Economic Footprint

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 is a truly global company that acts local. 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

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 STEM);
- Corporate citizenship and/or local community engagement;
- Humanitarian and/or Environment;
- Innovation, R&T and Science.

Today Airbus undertakes a large number of sponsorship and donation projects across the globe and contributed to more than 900 initiatives in 58 countries in 2017.

Volunteering at Airbus

In 2017, Airbus mapped the volunteering force of its employees worldwide. Mid-2017, about 5,000 Airbus employees were involved in volunteering for 85 initiatives contributing to the following SDGs:

- SDG 2: Zero Hunger;
- SDG 3: Good Health and Well-being;

- SDG 4: Quality education;
- SDG 5: Gender equality;
- SDG 8: Decent work and economic growth;
- SDG 10: Reduced Inequalities;
- SDG 13: Climate action;
- SDG 15: Life on Land.

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.

The Airbus Foundation

"With the Airbus Foundation, we reach out to a large population, inspiring young people and supporting humanitarian missions around the globe. I would like to thank Airbus employees for their passion in serving our communities." Tom Enders, Airbus CEO

Based in Toulouse, the Airbus Foundation has a socio-economic footprint worldwide. Its goal is to support the international aid organisations in regions where the Company operates and beyond. The Airbus Foundation 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. In parallel, the Foundation invests in communities around the world with the aim of inspiring and encouraging youth development through contact with the aerospace industry.

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 61 humanitarian flights, delivering approximately 800 tonnes of aid in over 25 countries. In addition, during the very first hours of a crisis, Airbus Helicopters is able to save people from harmful situations as well as support on ground rescuers to assess emergency situations. Since 2012 over 345 helicopters flight hours have been chartered in 11 countries, amounting to €490,000. Over the years the foundation also trained about 700 doctors and rescuers, enabling them to operate the Company's helicopters to ensure the development of Emergency Medical Services around the world. Finally, satellite images can be used to assist humanitarian organisations in the wake of a crisis in a number of ways. In August 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. Access has been granted to IFRC and is planned for UN WFP and MSF.

Since the launch its youth development activities in 2012, more than 8,000 young people worldwide were involved with the aim to help them prepare for tomorrow's challenges. More than 1,200 Airbus volunteers worldwide supported these inspiring programmes and in doing so have developed their own skills. 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 fourteen Airbus sites across France, Germany, Spain, the UK and the US.

With programmes like the Airbus Foundation Little Engineer and Discovery Space, the Foundation uses aerospace to spark an interest in science, technology, engineering and mathematics (STEM), facilitating the access to STEM skills for thousands of young minds around the world.

For more information, please refer to the latest Airbus Foundation Activity Report, which is available at **www.airbus.com**.

Development Pact between Airbus and Toulouse

At the local level, on 5 June 2016, Airbus CEO Tom Enders and Jean-Luc Moudenc, President of Toulouse Métropole, signed the economic attractiveness and development pact between Airbus and Toulouse Métropole, strengthening the cooperation that has been in place for nearly 50 years. The goal of the pact is to create the conditions required for maintaining the attractiveness and long-term sustainability of Airbus' sites in Toulouse, and those of its partners, and to favour the development of Toulouse's innovation ecosystem.

Airbus directly employs nearly 28,000 people in the Toulouse area. The commercial aviation site includes the Company's operational headquarters, its design offices and final assembly lines for the A320, A330, A380 and A350, and is the largest industrial site in France with a total surface area of 650 hectares. Every day, more than 41,000 people enter and leave this site.

This activity feeds a network of more than 1,500 suppliers working at every level, temporary staff and customers, and represents more than 50,000 employees. Furthermore, the metropolitan area has secondary education and university opportunities needed for recruitment purposes: vocational baccalaureates, baccalaureate +2-years training courses, engineering degrees and specialised training. The many research laboratories make it possible to establish a number of partnerships in a variety of areas.

As the attractiveness of a region does not concern the economic and technological fields alone, Airbus and Toulouse Métropole are working together on the metropolitan area's attractiveness from the point of view of lifestyle and quality of life, the excellence of its school, universities and medical facilities, the cultural heritage, the quality and variety of cultural amenities and events. For example, Stade Toulousain represents the French Occitanie region where Airbus has been supporting the local community's work-life balance through its sponsorship of the team since 1983. Team spirit, engagement, respect and a taste for challenge: these values unite Airbus and the rugby club Stade Toulousain.

Airbus provides support for the amenities related to scientific, technical and industrial culture such as Aeroscopia, the Cité de l'Espace and the Quai des Savoirs.

1.2 Recent Developments

On 7 February 2018, Airbus has signed a DOI with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxemburg) defining the framework for achieving a mutually binding contract amendment later in the year (please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 5: Revenues and Gross Margin").

On 9 February 2018, in line with standard airworthiness procedures the European Aviation Safety Agency ("EASA") has published an Emergency Airworthiness Directive following an issue identified on a limited number of recently delivered Pratt & Whitney ("P&W") GTF engines. Airbus has informed its affected A320neo family customers and operators. Airbus and P&W are investigating the root cause of this recent finding.

On 7 March 2018, Airbus announced the finalisation of the sale of Plant Holdings, Inc., which holds the Airbus DS Communications Inc. business, to Motorola Solutions after receiving the required regulatory approvals. This divestment is part of the portfolio reshaping within the Airbus Defence and Space Division announced in September 2014.

On 7 March 2018, following the previously announced changes to the A380 and A400M delivery plans, Airbus confirmed the formal adjustment of production rates for its A380 and A400M programmes. The new plan, which was presented to the European Works Council today, involves the production of six A380s per year starting from 2020 and eight A400Ms per year, also as of 2020.

Chapter 2

2

Management's Discussion and Analysis of Financial Condition and Results of Operations

2.1 Operating and Financial Review

The following discussion and analysis is derived from and should be read together with the audited IFRS Consolidated Financial Statements of Airbus as of and for the years ended 31 December 2017 and 2016. These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Dutch Civil Code. When reference is made to "IFRS", this intends to be EU-IFRS.

The following discussion and analysis also contains certain "non-GAAP financial measures", i.e., financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Specifically, Airbus makes use of the non-GAAP measures (i.e. Alternative Performance Measures) "EBIT Adjusted", "net cash" and "free cash flow".

Airbus uses these non-GAAP financial measures to assess its consolidated financial and operating performance and believes they are helpful in identifying trends in its performance. These measures enhance management's ability to make decisions with respect to resource allocation and whether Airbus is meeting established financial goals.

Non-GAAP financial measures have certain limitations as analytical tools, and should not be considered in isolation or as substitutes for analysis of Airbus' results as reported under IFRS. Because of these limitations, they should not be considered substitutes for the relevant IFRS measures.

At the end of the 2016 financial year, Airbus implemented the European Securities and Markets Authority's guidelines on Alternative Performance Measures. As a result, certain items are no longer labelled as "one-offs". Such items are now labelled as "Adjustments". Airbus no longer measures and communicates its performance on the basis of "EBIT*" (i.e. EBIT pre-goodwill impairment and exceptionals) but on the basis of "EBIT" (reported). Terminology has changed such that "EBIT* before one-offs" has been replaced by "EBIT Adjusted" and "EPS* before one-offs" has been replaced by "EPS Adjusted".

2

2.1.1 Overview

With consolidated revenues of €66.8 billion in 2017, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. 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 2017, it generated 85% of its total revenues in the civil sector (compared to 83% in 2016) and 15% in the defence sector (compared to 17% in 2016). As of 31 December 2017, Airbus' active headcount was 129,442 employees, decreased compared to 2016 (133,782 employees) mainly reflecting perimeter change from divestments.

2.1.1.1 Exchange Rate Information

The financial information presented in this document is expressed in euro, US dollar or pound sterling. The following table sets out, for the periods indicated, certain information concerning the exchange rate between the euro and the US dollar and pound sterling, calculated using the official European Central Bank fixing rate:

Year ended	Average		Year-End	
	€/US$	€/£	€/US$	€/£
31 December 2015	1.1095	0.7259	1.0887	0.7340
31 December 2016	1.1069	0.8195	1.0541	0.8562
31 December 2017	**1.1297**	**0.8767**	**1.1993**	**0.8872**

2.1.1.2 Reportable Business Segments

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

- **Airbus Commercial Aircraft**: 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;
- **Airbus Helicopters**: development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter-related services; and
- **Airbus Defence and Space**: is organised in four Programme Lines: Military Aircraft, Space Systems, Communications, Intelligence & Security (CIS), and Unmanned Aerial Systems (UAS). It designs, develops and engineers products, systems and services in the field of defence and space for governments, institutions and commercial customers. In addition, the main joint ventures design, develop, deliver and support missile systems as well as space launchers and launch services.

"**Other / HQ / Consolidation**" comprises the holding function of Airbus, the Airbus Bank and other activities not allocable to the reportable segments, combined together with consolidation effects.

2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2015, 2016 and 2017

A380 programme. In 2015, Airbus Commercial Aircraft improved gross margin per aircraft. Despite lower A380 deliveries (27 aircraft in 2015 compared to 30 aircraft in 2014), the programme achieved breakeven for the first time in 2015.

In 2016, Airbus Commercial Aircraft found an agreement with Emirates and Rolls Royce to shift six deliveries from 2017 into 2018 and from 2018 into 2019, which secures the delivery profile into 2019. 12 aircraft remains the 2018 target for deliveries. Fixed cost reduction measures will be accelerated to minimise the impact on breakeven at a lower level of deliveries. A total of 28 A380s were delivered during 2016.

In 2017, Airbus Commercial Aircraft delivered 15 A380 aircraft and plans to deliver 12 aircraft in 2018 and 8 aircraft in 2019. The Emirates order in February 2018 provides increased visibility on the A380 programme for the years to come. At a baseline of 6 deliveries per year, Airbus can produce the A380 in an industrial efficient way over the coming years. A reasonable industrial efficiency can be maintained at a new baseline of 6 aircraft a year with an acceptable margin and cash dilution. No further details can be added at this stage. As of 28 February 2018, Airbus had 331 orders for A380s, of which 222 have been delivered to 13 airlines. The A380 order book includes orders for 8 customers.

A350 XWB programme. In 2015, Airbus Commercial Aircraft delivered 14 A350 XWB aircraft. Despite the progress made, significant challenges remained with the ramp-up acceleration.

In 2016, Airbus Commercial Aircraft delivered 49 A350 XWB aircraft, including to 7 new customers. To reflect expected lower revenues escalation, increased learning curve costs and delivery phasing, Airbus Commercial Aircraft recorded a net charge of €385 million on A350 XWB loss making contracts in the second quarter 2016.

In 2017, Airbus Commercial Aircraft delivered 78 A350 XWB aircraft. New order intake, cancellations, delivery postponements and other contractual agreements to the end of December 2017 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. The level of outstanding work in the Final Assembly Line has been significantly reduced. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up continues. The A350 programme is preparing to reach the targeted monthly production rate of 10 by the end of 2018.

A400M programme. Technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €1.6 billion in 2015, €1.7 billion in 2016 and €1.9 billion in 2017.

In 2015, 11 A400M aircraft were delivered, resulting in 21 cumulative deliveries up to 31 December 2015. Management reviewed the programme evolution and estimated contract result driven to a large extent from the implications of the A400M accident in Seville in May 2015, as well as the impact of low inflation on the price revision formulae, delays in military functionality and deliveries, commercial negotiations, cost reduction targets and challenges in the industrial ramp-up, together with associated mitigation actions. As a result of this review, Airbus Defence and Space recorded an additional net charge of €290 million in the second quarter of 2015. The detailed review continued in the second half of 2015 however no further net charges were deemed necessary.

In 2016, 17 A400M aircraft were delivered, resulting in 38 cumulative deliveries up to 31 December 2016. Acceptance activities of one additional aircraft were finalised at the end of December 2016, but transfer of title only took place on 1 January 2017 (corresponding revenues were recognised in 2017). Industrial efficiency and military capabilities remained a challenge for the A400M programme and furthermore, the EASA Airworthiness Directive, linked to the Propeller Gear Box ("PGB") on the engine, and various PGB quality issues strongly impacted the customer delivery programme. The first major development milestone of the mission capability roadmap defined with customers earlier in 2016 was successfully completed in June with certification and delivery of "MSN 33", the ninth aircraft for the French customer, however achievement of contractual technical capabilities remained challenging. In the first half-year 2016, management reviewed the programme evolution and estimated contract result incorporating the implications at this time of the revised engine programme and its associated recovery plan, technical issues related to the aluminium alloy used for some parts within the aircraft, recurring cost convergence issues, an updated assumption of export orders during the launch contract phase and finally some delays, escalation and cost overruns in the development programme. During the second half-year 2016, the programme encountered further challenges to meet military capabilities and management reassessed the industrial cost of the programme, now including an estimation of the commercial exposure. As a result of these reviews, Airbus Defence and Space recorded a charge of € 2,210 million in 2016 (thereof €1,026 million in the first half-year 2016). This represented the then current best management assessment.

19 A400M aircraft were delivered in 2017. In total, 57 aircraft have been delivered as of 31 December 2017.

In 2017, Airbus continued with development activities toward achieving the revised capability roadmap.

As a result of the 2016 detailed contract reviews, Airbus Defence and Space had recorded a charge of €2,210 million in the fiscal year 2016. Given the order of magnitude of the cumulative programme loss, the Board of Directors mandated the management in February 2017 to re-engage with customers to cap the remaining exposure.

Airbus has signed a Declaration of Intent (DOI) with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxemburg) defining the framework for achieving a mutually binding contract amendment later in the year. Airbus, European defence agency OCCAR and the Customer Nations have agreed to work on a number of contractual elements including a revamped delivery plan as well as a roadmap for the development and completion of military capabilities for the A400M. The DOI, finalised on 7 February 2018, represents an important step towards reaching a contractually binding agreement with OCCAR and the Launch Customer Nations in 2018 to mitigate risks and to ensure the future of the programme. OCCAR is managing the A400M programme on behalf of the seven Launch Customer Nations. This DOI provides a new baseline on which to evaluate the A400M contract. With a clear roadmap in place, the remaining exposure going forward would be more limited.

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 results in an update of the loss making contract provision of €1,299 million for the year 2017 (thereof €1,149 million in the fourth quarter 2017). Airbus' remaining exposure going forward is expected to be more limited. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions as per the revised baseline. Airbus intends to turn the DOI into a firm contract within 2018.

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.

A320 programme. Joint European and US certification for the A320neo was received in the fourth quarter of 2015 with the first delivery following in January 2016. Despite some schedule set-backs, the A320neo ramp-up preparation got underway with the focus on maturity and service-readiness for early operations in line with customer expectations.

In 2016, 68 aircraft on the A320neo programme were delivered to 17 customers. Both engine suppliers committed to deliver in line with customer expectations. Challenges remained with the A320neo ramp-up and delivery profile. For the Pratt & Whitney engine, challenges were to (i) meet the delivery commitments in line with agreed schedule; (ii) fix in-service maturity issues in line with Airbus and customer expectations.

In 2017, a total of 181 A320neo Family aircraft were delivered, up from 68 during 2016. Supplier Pratt & Whitney introduced new engine fixes in the fourth quarter which were certified. Unfortunately a new issue has arisen likely unrelated to the prior fixes, the impact of which is under assessment with respect to 2018 deliveries. Engine supplier CFM International meanwhile experienced some maturity issues in 2017 on some batches of the LEAP-1A engine. The A320neo ramp-up remains challenging and requires that the engine suppliers deliver in line with commitments.

A330 programme. In 2016, the A330neo development was ongoing.

In 2017, 67 A330 were delivered. On the A330neo, the first flight was completed in October 2017. Two test aircraft were available. The programme is on track to Type Certification. First delivery is targeted for summer 2018.

Airbus makes estimates and provides, across the programmes, for costs related to in-service technical issues which have been identified and for which solutions have been defined, which reflects the latest facts and circumstances. Airbus 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 be considered on a case by case basis.

Restructuring provisions. In 2016, a net € 182 million provision related to restructuring measures was booked by Airbus.

A restructuring provision associated with the re-organisation of Airbus 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 Airbus and the works council in June 2017. The German social plan was agreed between Airbus and the works councils in September 2017 however the reconciliation of interest is still under discussion.

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.

2.1.1.4 Current Trends

Airbus expects the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions.

Airbus' 2018 earnings and free cash flow guidance is based on a constant perimeter, before M&A: in 2018, Airbus Commercial Aircraft expects to deliver around 800 commercial aircraft, which depends on engine manufacturers meeting commitments. Based on around 800 deliveries, before M&A, Airbus expects a significant increase in EBIT Adjusted compared to 2017. Free cash flow is expected to be similar to 2017 before M&A and customer financing.

2.1.2 Significant Accounting Considerations, Policies and Estimates

Airbus' significant accounting considerations, policies and estimates are described in the Notes to the Consolidated Financial Statements.

2.1.2.1 Scope of and Changes in Consolidation

For further information on the scope of and changes in consolidation as well as acquisitions and disposals of interests in business, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 6: Acquisitions and disposals".

2.1.2.2 Capitalised Development Costs

Pursuant to the application of IAS 38 "Intangible Assets", Airbus assesses whether product-related development costs qualify for capitalisation as internally generated intangible assets. Criteria for capitalisation are strictly applied. All research and development costs not meeting the IAS 38 criteria are expensed as incurred in the consolidated income statement. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies — Research and development expenses and Development costs" and "Note 17: Intangible assets".

2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

More than 75% of Airbus' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a smaller extent, in pounds sterling. Airbus uses hedging strategies to manage and minimise the impact of exchange rate 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. For further information, see "— 2.1.7 Hedging Activities", "Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 35: Information about financial instruments".

2.1.2.4 Foreign Currency Translation

For information on transactions in currencies other than the functional currency of Airbus and translation differences for other assets and liabilities of Airbus denominated in foreign currencies, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies — Transactions in foreign currency".

Currency Translation Mismatch

Customer advances (and the corresponding revenues recorded when sales recognition occurs) are translated at the exchange rate prevailing on the date they are received (historical rates of customer advances). US dollar-denominated costs are converted at the exchange rate prevailing on the date they are incurred (historical rates of US dollar-denominated costs). To the extent those historical rates and the amounts received and paid differ, there is a foreign currency exchange impact (mismatch) on EBIT. Additionally, the magnitude of any such difference, and the corresponding impact on EBIT, is sensitive to variations in the number of deliveries and spot rate (€/US$).

2.1.2.5 Accounting for Sales Financing Transactions in the Financial Statements

The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 19: Other investments and other long-term financial assets", "Note 22: Provisions, contingent assets and contingent liabilities" and "Note 25: Sales financing transactions".

For further information on the significance of sales financing transactions for Airbus, see "— 2.1.6.4 Sales Financing".

2.1.2.6 Provisions for Loss Making Contracts

Loss making contract provisions are reviewed and reassessed regularly. However, future changes in the assumptions used by Airbus or a change in the underlying circumstances may lead to a revaluation of past loss making contract provisions and have a corresponding positive or negative effect on the Company's future financial performance. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies — Provision for loss making contracts" and "Note 22: Provisions, Contingent Assets and Contingent Liabilities".

2.1.3 Performance Measures

2.1.3.1 Divisions

Airbus Commercial Aircraft

Set forth below is a summary of the measures for the activities of Airbus Commercial Aircraft for the past three years.

(in € millions)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Order Intake (net)	143,361	114,938	139,062
Order Book	950,354	1,010,200	952,450
Revenues	50,958	49,237	45,854
EBIT	**3,428**	**1,543**	**2,287**
in % of revenues	*6.7%*	*3.1%*	*5.0%*

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Airbus Helicopters

Set forth below is a summary of the measures for the activities of Airbus Helicopters for the past three years.

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Order Intake (net)	6,544	6,057	6,168
Order Book	11,201	11,269	11,769
Revenues	6,450	6,652	6,786
EBIT	**337**	**308**	**427**
in % of revenues	*5.2%*	*4.6%*	*6.3%*

Airbus Defence and Space

Set forth below is a summary of the measures for the activities of Airbus Defence and Space for the past three years.

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Order Intake (net)	8,893	15,393	14,440
Order Book	37,407	41,499	42,861
Revenues	10,804	11,854	13,080
EBIT	**212**	**(93)**	**736**
in % of revenues	*2.0%*	*(0.8)%*	*5.6%*

2.1.3.2 Order Backlog

Year-end order backlog consists of contracts signed up to that date. Only firm orders are included in calculating order backlog – for commercial aircraft, a firm order is defined as one for which Airbus receives a down payment on a definitive contract. Defence-related orders are included in the backlog upon signature of the related procurement contract (and the receipt, in most cases, of an advance payment). Commitments under defence "umbrella" or "framework" agreements by governmental customers are not included in backlog until Airbus is officially notified.

For commercial aircraft contracts, amounts of order backlog reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes.

CONSOLIDATED BACKLOG FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015[(1)]

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount in €bn	*In percentage[(2)]*	*Amount in €bn*	*In percentage[(2)]*	*Amount in €bn*	*In percentage[(2)]*
Airbus Commercial Aircraft[(3)]	950.4	**95.1%**	1,010.2	**95.0%**	952.4	**94.6%**
Airbus Helicopters	11.2	**1.1%**	11.3	**1.1%**	11.8	**1.2%**
Airbus Defence and Space	37.4	**3.8%**	41.5	**3.9%**	42.9	**4.2%**
Total Divisional backlog	**999.0**	**100%**	**1,063.0**	**100%**	**1,007.1**	**100%**
Other / HQ / Consolidation	(2.2)		(2.6)		(1.2)	
Total	**996.8**		**1,060.4**		**1,005.9**	

(1) Without options.
(2) Before "Other / HQ / Consolidation".
(3) Based on catalogue prices for commercial aircraft activities.

2017 compared to 2016. The € -63.6 billion decrease in the order backlog from 2016, to € 996.8 billion in 2017, primarily reflects the weaker US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year-end (€/US$ 1.20 as compared to €/US$ 1.05 at the end of 2016) which had a negative impact on order backlog of approximately € -115 billion. Airbus' strong order intake in 2017 (€ 158 billion catalogue price) exceeded the reduction of the backlog from 2017 deliveries.

Airbus Commercial Aircraft's backlog decreased by € -59.8 billion from 2016, to € 950.4 billion in 2017, primarily reflecting the above mentioned negative currency translation effects from the weaker US dollar spot rate. A book-to-bill ratio of 1.5 (calculated using units of new net orders, *i.e.* new net orders in units divided by deliveries in units), however, contributed positively. Order intake consisted of 1,109 net orders in 2017 (as compared to 731 in 2016), driven mainly by the A320 Family, which received 1,054 net firm orders (926 A320neo and 128 A320ceo). Total order backlog at Airbus Commercial Aircraft amounted to 7,265 aircraft at the end of 2017 (as compared to 6,874 aircraft at the end of 2016). This represents a record year-end level of backlog by units.

Airbus Helicopters' backlog slightly decreased by € -0.1 billion from 2016, to € 11.2 billion in 2017, reflecting a book-to-bill ratio, by value in euros, of around one with new net orders of € 6.5 billion. Airbus Helicopters received 335 net orders in 2017 (as compared to 353 in 2016). Total order backlog amounted to 692 helicopters at the end of 2017 (as compared to 766 helicopters at the end of 2016).

Airbus Defence and Space's backlog decreased by € -4.1 billion from 2016, to € 37.4 billion in 2017, reflecting a book-to-bill ratio of less than one with new net orders of € 8.9 billion. Defence and Space had a book-to-bill of ~0.8. Good momentum was seen in military aircraft with the order intake including 22 light and medium transport aircraft, five A330 MRTT tankers and the Eurofighter contract with Kuwait. Two all-electric telecommunication satellites were booked in the fourth quarter despite a soft market environment. Airbus Defence and Space's perimeter changes had a negative impact of € 1.9 billion on the order book and € 1.5 billion on order intake.

2016 compared to 2015. The € 54.5 billion increase in the order backlog from 2015, to € 1,060.4 billion, primarily reflects Airbus' order intake in 2016 (€ 134 billion catalogue price), which exceeded the reduction of the backlog from 2016 deliveries. Additionally, the stronger US dollar spot rate used for conversion of the non-hedged portion of the backlog into euro at year-end (€/US$ 1.05 as compared to €/US$ 1.09 at the end of 2015) had a positive impact on order backlog of approximately € +31 billion.

Airbus Commercial Aircraft's backlog increased by € 57.8 billion from 2015, to € 1,010.2 billion in 2016, primarily reflecting a book-to-bill ratio of more than one (calculated using units of new net orders). Order intake consisted of 731 net orders in 2016 (as compared to 1,080 in 2015), driven mainly by the A320 Family, which received 607 net firm orders (561 A320neo and 46 A320ceo). Total order backlog at Airbus Commercial Aircraft amounted to 6,874 aircraft at the end of 2016 (as compared to 6,831 aircraft at the end of 2015).

Airbus Helicopters' backlog decreased by € -0.5 billion from 2015, to € 11.3 billion in 2016, reflecting a book-to-bill ratio of less than one with new net orders of € 6.1 billion. Airbus Helicopters received 353 net orders in 2016 (as compared to 333 in 2015). Total order backlog amounted to 766 helicopters at the end of 2016 (as compared to 831 helicopters at the end of 2015).

Airbus Defence and Space's backlog decreased by € -1.4 billion from 2015, to € 41.5 billion in 2016, reflecting a book-to-bill ratio of more than one with new net orders of € 15.4 billion. The order intake is mainly driven by Military aircraft with 16 light and medium aircraft ordered by Canada and Eurofighter sustainment and support contracts as well as in Space with telecom and earth navigation and science.

The table below illustrates the proportion of civil and defence backlog at the end of each of the past three years.

	Year ended 31 December 2017		Year ended 31 December 2016		Year ended 31 December 2015	
	Amount in €bn[(1)]	*In percentage*	*Amount in €bn*[(1)]	*In percentage*	*Amount in €bn*[(1)]	*In percentage*
Backlog:						
Civil Sector	959.9	96%	1,020.6	96%	967.5	96%
Defence Sector	36.9	4%	39.8	4%	38.4	4%
Total	**996.8**	**100%**	**1,060.4**	**100%**	**1,005.9**	**100%**

(1) Including "Other / HQ / Consolidation".

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2.1.3.3 Use of EBIT Adjusted

Airbus uses an alternative performance measure **EBIT Adjusted** as a key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructurings or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses.

Set forth below is a table reconciling Airbus' EBIT with its EBIT Adjusted.

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
EBIT	3,421	2,258	4,062
PDP mismatch / BS revaluation	7	930	635
A400M business update	1,299	2,210	290
A350XWB business update	0	385	0
Compliance	117	0	0
ASL creation phase 2	0	(1,175)	0
Defence Electronics net capital gain	(604)	0	0
Portfolio in Airbus Defence and Space and Airbus Commercial Aircraft	(7)	33	(90)
Other M&A	20	0	0
Restructuring / Transformation	0	182	(41)
Dassault Aviation disposal	0	(868)	(748)
EBIT Adjusted	**4,253**	**3,955**	**4,108**

2.1.3.4 EBIT Adjusted by Division

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Airbus Commercial Aircraft	3,554	2,811	2,766
Airbus Helicopters	337	350	427
Airbus Defence and Space	872	1,002	1,051
Total Divisional EBIT Adjusted	**4,763**	**4,163**	**4,244**
Other / HQ / Consolidation	(510)	(208)	(136)
Total	**4,253**	**3,955**	**4,108**

2.1.3.5 EBIT by Division

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Airbus Commercial Aircraft	3,428	1,543	2,287
Airbus Helicopters	337	308	427
Airbus Defence and Space	212	(93)	736
Total Divisional EBIT	**3,977**	**1,758**	**3,450**
Other / HQ / Consolidation	(556)	500(2)	612(1)
Total	**3,421**	**2,258**	**4,062**

(1) "Other / HQ / Consolidation" comprises results from headquarters, which mainly consist of the "share of profit from investments in associates" from Airbus' investment in Dassault Aviation.
(2) "Other / HQ / Consolidation" comprises the capital gain from the sale of Dassault Aviation shares and the revaluation at fair value of the remaining investment in Dassault Aviation.

2017 compared to 2016. 2017 financials reflect the perimeter changes in Airbus Defence and Space and Helicopters resulting in reduction in revenues of around €2 billion and related EBIT impact.

Airbus' consolidated EBIT increased by 51.5%, from €2.3 billion for 2016 to €3.4 billion for 2017.

Airbus Commercial Aircraft's EBIT increased from €1.5 billion for 2016 to €3.4 billion for 2017 reflecting the strong delivery performance supported by improved foreign exchange rates. Good progress was made in reducing the A350 losses in line with expectations.

Airbus Helicopters' EBIT increased from €308 million for 2016 to €337 million for 2017, reflecting transformation efforts which have globally supported the Division's competitiveness in a challenging market and lower impact from past Super Puma grounding. This was reduced by lower deliveries, an unfavourable mix and lower commercial flight hours in services and perimeter change, following the divestment of the maintenance, repair and overhaul business Vector Aerospace in November.

Airbus Defence and Space's EBIT increased from €-93 million for 2016 to €212 million for 2017 reflecting a stable core business performance and solid contributions from the MBDA and ArianeGroup Joint Ventures. It was supported by the net capital gain of €604 million from the divestment of the defence electronics business and some further small disposal impacts. A net charge of €1,299 million was recorded related to the A400M programme for the period ended 31 December 2017 (€2,210 million for the period ended 31 December 2016). Airbus Defence and Space's EBIT in 2017 also included a negative impact of €91 million related to compliance, comprising an administrative penalty notice connected to the termination of the Eurofighter Austria investigation by the Munich Public Prosecutor (See "— 2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2015, 2016 and 2017").

2016 compared to 2015. 2016 financials reflect the portfolio reshaping in Airbus Defence and Space resulting in reduction in revenues of about €1 billion and related EBIT impact.

Airbus' consolidated EBIT decreased by 44.4%, from €4.1 billion for 2015 to €2.3 billion for 2016.

Airbus Commercial Aircraft's EBIT decreased from €2.3 billion for 2015 to €1.5 billion for 2016. A solid operational performance driven by a higher A320 volume and R&D reduction was weighed down by the lower A330 production rate, transition pricing, ramp-up costs and a negative revaluation impact from foreign exchange linked to the dollar pre-delivery mismatch and balance sheet revaluation in the amount of €-902 million. Additionally, it was affected by a €385 million net charge on the A350 XWB programme.

Airbus Helicopters' EBIT decreased from €427 million for 2015 to €308 million for 2016, reflecting an unfavourable mix and lower commercial flight hours in services as well as the H225 accident and some campaign costs. However, the underlying performance continued to be supported by ongoing transformation measures and strong efforts to adapt to market challenges.

Airbus Defence and Space's EBIT decreased from €736 million for 2015 to €-93 million for 2016. A good operational performance partially mitigated the perimeter change effects from portfolio reshaping. In addition, a net charge of €2,210 million was recorded related to the A400M programme for the period ended 31 December 2016 (€290 million for the period ended 31 December 2015). Airbus Defence and Space's EBIT in 2016 also included a net gain of €1,175 million from the completion of the second phase of the creation of the ASL joint venture, an adjustment of the provision for restructuring generating a positive impact of €20 million and some further small disposal impacts.

The EBIT of Other / Headquarters / Consolidation decreased by 18.3% from €612 million for 2015 to €500 million for 2016. 2016 included the capital gain from the sale of Dassault Aviation shares and the revaluation at fair value of the remaining investment in Dassault Aviation from ongoing divestment started in 2015. It also included the restructuring provisions for €160 million recorded at year-end 2016 following the announcement in September 2016 of the merger of the Group structure with its largest division Airbus Commercial Aircraft to increase future competitiveness.

Foreign currency impact on EBIT. More than 75% of Airbus' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a lesser extent, pounds sterling. Given the long-term nature of its business cycles (evidenced by its multi-year backlog), Airbus hedges a significant portion of its net foreign exchange exposure to mitigate the impact of exchange rate fluctuations on its EBIT. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35: Information about Financial Instruments" and see "— Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure". In addition to the impact that hedging activities have on Airbus' EBIT, the latter is also affected by the impact of revaluation of certain assets and liabilities at the closing rate and the impact of natural hedging.

During 2017, cash flow hedges covering approximately US$25.3 billion of Airbus' US dollar-denominated revenues matured. In 2017, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €/US$1.29, as compared to €/US$1.32 in 2016. See "— 2.1.2.4 Foreign Currency Translation".

During 2016, cash flow hedges covering approximately US$23.5 billion of Airbus' US dollar-denominated revenues matured excluding US$1.5 billion of new hedges entered into to address intra-year shifts in Net Exposure linked to delivery phasing. In 2016, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US$1.32, as compared to €-US$1.34 in 2015.

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2.1.4 Results of Operations

Set forth below is a summary of Airbus' Consolidated Income Statements (IFRS) for the past three years.

(in €m, except for earnings per share)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Revenues	66,767	66,581	64,450
Cost of sales	(59,160)	(61,317)	(55,599)
Gross margin	**7,607**	**5,264**	**8,851**
Selling and administrative expenses	(2,439)	(2,723)	(2,651)
Research and development expenses	(2,807)	(2,970)	(3,460)
Other income	981	2,689	474
Other expenses	(336)	(254)	(222)
Share of profit from investments accounted for under the equity method and other income from investments	415	252	1,070
Profit before finance costs and income taxes	**3,421**	**2,258**	**4,062**
Interest result	(328)	(275)	(368)
Other financial result	1,477	(692)	(319)
Income taxes	(1,693)	(291)	(677)
Profit for the period	**2,877**	**1,000**	**2,698**
Attributable to:			
Equity owners of the parent (Net Income)	**2,873**	**995**	**2,696**
Non-controlling interests	4	5	2
Earnings per share (basic) *(in €)*	**3.71**	**1.29**	**3.43**
Earnings per share (diluted) *(in €)*	**3.70**	**1.29**	**3.42**

Set forth below are year-to-year comparisons of results of operations, based upon Airbus' Consolidated Income Statements.

2.1.4.1 Consolidated Revenues

Set forth below is a breakdown of Airbus' consolidated revenues by Division for the past three years.

(in €m)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Airbus Commercial Aircraft	50,958	49,237	45,854
Airbus Helicopters	6,450	6,652	6,786
Airbus Defence and Space	10,804	11,854	13,080
Total Divisional revenues	**68,212**	**67,743**	**65,720**
Other / HQ / Consolidation	(1,445)	(1,162)	(1,270)
Total	**66,767**	**66,581**	**64,450**

For 2017, consolidated revenues were stable at €66.8 billion, an 0.3% increase from €66.6 billion in 2016, as higher aircraft deliveries at Airbus Commercial Aircraft were offset by the portfolio reshaping in Airbus Defence and Space and in Airbus Helicopters resulting in reduction of revenues of around €2 billion.

For 2016, consolidated revenues increased by 3.3%, from €64.5 billion for 2015 to €66.6 billion for 2016. The increase was primarily due to higher revenues at Airbus Commercial Aircraft.

Airbus Commercial Aircraft

Set forth below is a breakdown of deliveries of commercial aircraft by product type for the past three years.

Number of aircraft	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
A320 Family	558	545	491
A330	67	66	103
A350 XWB	78	49	14
A380	15	28	27
Total	**718**	**688**	**635**

Airbus Commercial Aircraft's consolidated revenues increased by 3.5%, from €49.2 billion for 2016 to €51.0 billion for 2017. This was due to record deliveries of 718 aircraft (compared to 688 deliveries in 2016) including 78 A350 XWBs and a favourable foreign exchange impact.

Airbus Commercial Aircraft's consolidated revenues increased by 7.4%, from €45.9 billion for 2015 to €49.2 billion for 2016. This was due to higher deliveries of 688 aircraft (compared to 635 deliveries in 2015) including 49 A350 XWBs and the strengthening US dollar.

Airbus Helicopters

Set forth below is a breakdown of deliveries of helicopters by product type for the past three years.

Number of aircraft	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Light	166	177	178
Medium	178	165	124
Heavy	48	57	77
of which NH90	*40*	*38*	*35*
Tiger	17	19	16
Total	**409**	**418**	**395**

Consolidated revenues of Airbus Helicopters decreased by 3.0%, from €6.7 billion for 2016 to €6.5 billion in 2017 reflecting lower deliveries of 409 units and lower commercial flight hours in services impacted by Super Puma grounding. The number of Heavy helicopters delivered continued to decrease in 2017, reflecting the soft Civil & Parapublic market, particularly in Oil & Gas. The disposal of Vector Aerospace had a negative perimeter change impact of around €0.1 billion.

Consolidated revenues of Airbus Helicopters decreased by 2.0%, from €6.8 billion for 2015 to €6.7 billion in 2016, mainly reflecting an unfavourable mix and lower commercial flight hours in services.

Airbus Defence and Space

Set forth below is a breakdown of deliveries of Airbus Defence and Space by product type for the past three years.

Number of aircraft	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
A400M	19	17	11
A330 MRTT (Tanker)	1	2	4
Light & Medium aircraft	7	14	19
Telecom satellites	4	1	5
Total	**31**	**34**	**39**

Airbus Defence and Space's consolidated revenues decreased by 8.9% from €11.9 billion for 2016 to €10.8 billion in 2017, reflecting the Division's perimeter changes of around €1.7 billion but were 7% higher on a comparable basis driven mainly by military aircraft. The lower number of Light & Medium aircraft delivered in 2017 is a function of lower order intake in recent years.

Airbus Defence and Space's consolidated revenues decreased by 9.4% from €13.1 billion for 2015 to €11.9 billion in 2016, reflecting a negative impact from portfolio reshaping of about €1 billion but were broadly stable on a comparable basis.

2.1.4.2 Consolidated Cost of Sales

Consolidated cost of sales decreased by 3.5% from €61.3 billion for 2016 to €59.2 billion for 2017. The decrease was primarily due to a lower net charge related to the A400M programme in the amount of €1,299 million (in 2016: €2,210 million) and the perimeter changes at Airbus Defence & Space. In 2016 a charge of €385 million was booked for the A350 XWB programme (in 2017: €0 million).

Consolidated cost of sales increased by 10.3% from €55.6 billion for 2015 to €61.3 billion for 2016. The increase was primarily due to business growth at Airbus Commercial Aircraft and negative foreign exchange revaluation impacts from PDP/BS revaluation. The charge related to the A400M programme in the amount of €2,210 million (in 2015: €290 million) and to the A350 XWB programme in the amount of €385 million (in 2015: €0 million).

2.1.4.3 Consolidated Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased by 10.4%, from €2.7 billion for 2016 to €2.4 billion for 2017.

Consolidated selling and administrative expenses were broadly stable at €2.7 billion in 2016 and 2015.

2.1.4.4 Consolidated Research and Development Expenses

Consolidated research and development expenses decreased by 5.5%, from €3.0 billion for 2016 to €2.8 billion for 2017 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of €219 million of development costs has been capitalised, mainly related to the A330neo and H160 programmes. See "— 2.1.2.2 Capitalised development costs".

Consolidated research and development expenses decreased by 14.2%, from €3.5 billion for 2015 to €3.0 billion for 2016 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus Commercial Aircraft as committed. In addition, an amount of €311 million of development costs has been capitalised, mainly related to the A350-1000, FSTA and H160 programmes.

2.1.4.5 Consolidated Other Income and Other Expenses

Consolidated other income and other expenses include gains and losses on disposals of investments, of fixed assets and income from rental properties.

For 2017, other income and other expenses was €+645 million net as compared to €+2,435 million net for 2016. In 2017, it mainly includes the capital gain of €604 million from the disposal of the defence electronics business.

For 2016, other income and other expenses was €+2,435 million net as compared to €+252 million net for 2015. The net increase is due mainly to the capital gain of €1,175 million following the completion of the creation of the ASL joint venture, the capital gain from the sale of Dassault Aviation shares of €528 million and the revaluation at fair value of the remaining investment in Dassault Aviation of €340 million and the capital gain of €146 million on the disposal of the business communications entities.

2.1.4.6 Consolidated Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

Consolidated share of profit from investments accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2017, Airbus recorded €415 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €252 million for 2016. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 7: Investments Accounted for under the Equity Method" and "Note 12: Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments".

For 2016, Airbus recorded €252 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €1,070 million for 2015. It also includes Airbus' share in ASL's results. In 2015, it included the net gain from the partial sale of Dassault Aviation shares.

2.1.4.7 Consolidated Interest Result

Consolidated interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided by European Governments to finance R&D activities.

For 2017, Airbus recorded a consolidated net interest expense of €-328 million, as compared to €-275 million for 2016. The decrease in interest result was primarily due to higher interest expense recorded on European Government refundable advances.

For 2016, Airbus recorded a consolidated net interest expense of €-275 million, as compared to €-368 million for 2015. The improvement in interest result is primarily due to lower interest expense recorded on European Government refundable advances.

2.1.4.8 Consolidated Other Financial Result

This line item includes, among others, the impact from the revaluation of financial instruments, the effect of foreign exchange valuation of monetary items and the unwinding of discounted provisions. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 14: Total Finance Costs".

Consolidated other financial result increased from € -692 million for 2016 to € 1,477 million for 2017. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of € +439 million and the revaluation of financial instruments of € +743 million. In addition, it included the impact of the decrease in the European Governments refundable advances primarily related to the A380 programme. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other Financial Assets and Other Financial Liabilities".

Consolidated other financial result decreased from € -319 million for 2015 to € -692 million for 2016 reflecting a € -373 million negative change from revaluation of financial instruments together with a deterioration of the foreign exchange translation of monetary items.

2.1.4.9 Consolidated Income Taxes

For 2017, income tax expense was € -1,693 million as compared to € -291 million for 2016. The increase was primarily due to the higher income before tax recorded in 2017 (€ 4,570 million) as compared to 2016 (€ 1,291 million). The effective tax rate was 37%. It 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 surchage 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 offset 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%. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 15: Income Tax".

For 2016, income tax expense was € -291 million as compared to € -677 million for 2015. The decrease was primarily due to the lower income before tax recorded in 2016 (€ 1,291 million) as compared to 2015 (€ 3,375 million). The effective tax rate was 23% in 2016. The effective tax rate was affected by the sale of shares of Dassault Aviation and the creation of ASL both subject to specific tax treatment. These effects were partially offset by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016.

2.1.4.10 Consolidated Non-Controlling Interests

For 2017, consolidated profit for the period attributable to non-controlling interests was € 4 million, as compared to € 5 million for 2016.

2.1.4.11 Consolidated Profit for the Period Attributable to Equity Owners of the Parent (Net Income)

As a result of the factors discussed above, Airbus recorded consolidated net income of € 2,873 million for 2017, as compared to € 995 million for 2016.

2.1.4.12 Earnings per Share

Basic earnings were € 3.71 per share in 2017, as compared to € 1.29 per share in 2016. The number of issued shares as of 31 December 2017 was 774,556,062. The denominator used to calculate earnings per share was 773,772,702 shares (in 2016: 773,798,837), reflecting the weighted average number of shares outstanding during the year. In 2015, the Company reported basic earnings of € 3.43 per share, based on a denominator of 785,621,099 shares. For further details, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total Equity" and "Note 16: Earnings per Share".

Diluted earnings were € 3.70 per share in 2017, as compared to € 1.29 per share in 2016. The denominator used to calculate diluted earnings per share was 779,301,228 (in 2016: 779,109,634), reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2015, the Company reported diluted earnings of € 3.42 per share, based on a denominator of 788,491,929 shares.

2.1.5 Changes in Consolidated Total Equity (Including Non-Controlling Interests)

The following table sets forth a summary of the changes in consolidated total equity for the period 1 January 2017 through 31 December 2017.

(in €m)	
Balance as at 31 December 2016	**3,652**
Profit for the period	2,877
Other comprehensive income	7,773
Thereof foreign currency translation adjustments	*(539)*
Cash distribution to shareholders / Dividends paid to non-controlling interests	(1,046)
Capital increase	83
Equity transactions (IAS 27)	(25)
Change in treasury shares	1
Share-based payment (IFRS 2)	36
Balance as at 31 December 2017	**13,351**

Please refer to the "Airbus SE IFRS Consolidated Financial Statements — IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2017 and 2016" and to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total Equity".

Set forth below is a discussion on the calculation of accumulated other comprehensive income ("AOCI") and the related impact on consolidated total equity.

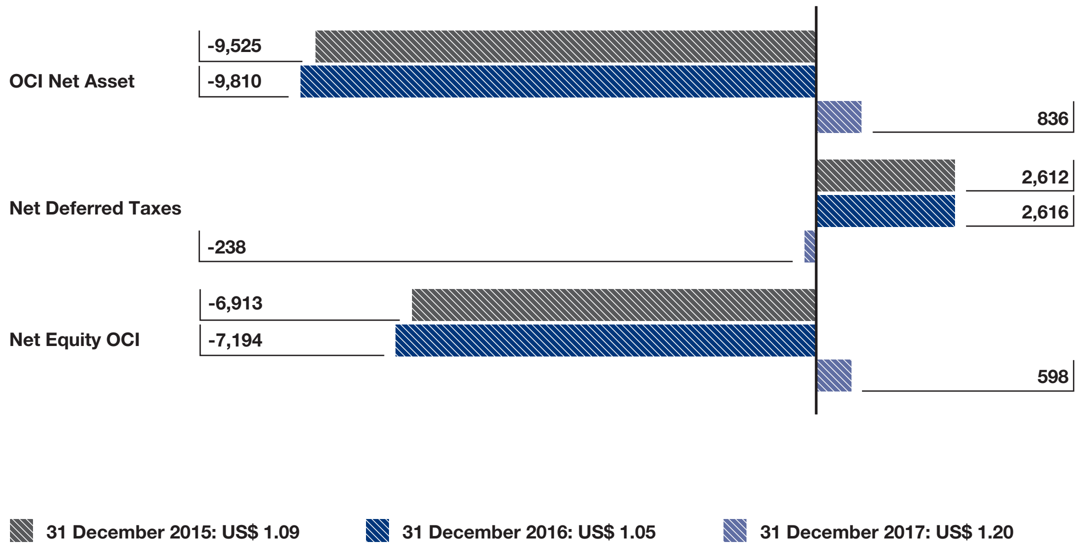
2.1.5.1 Cash Flow Hedge Related Impact on AOCI

As of 31 December 2017, the notional amount of Airbus' portfolio of outstanding cash flow hedges amounted to US$ 88.7 billion, hedged against the euro and the pound sterling. The year-end mark to market valuation of this portfolio required under IAS 39 resulted in a positive pre-tax AOCI valuation change of € 10.6 billion as of 31 December 2017 compared to 31 December 2016, based on a closing rate of €/US$ 1.20 as compared to a negative pre-tax AOCI valuation change of € -0.3 billion as of 31 December 2016 compared to 31 December 2015, based on a closing rate of €/US$ 1.05. For further information on the measurement of the fair values of financial instruments, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35: Information about Financial Instruments".

Positive pre-tax mark to market values of cash flow hedges are included in other financial assets, while negative pre-tax mark to market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark to market value of effective cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark to market valuations) and deferred tax liabilities (for cash flow hedges with positive mark to market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

Note: The mark to market of the backlog is not reflected in the accounts whereas the mark to market of the hedge book is reflected in AOCI.

CASH FLOW HEDGE RELATED MOVEMENTS IN AOCI IN €M (BASED ON YEAR-END EXCHANGE RATES)



As a result of the positive change in the fair market valuation of the cash flow hedge portfolio in 2017, AOCI amounted to a net asset of €+0.8 billion for 2017, as compared to a net liability of €-9.8 billion for 2016. The corresponding €-2.8 billion tax effect led to a net deferred tax liability of €-0.2 billion as of 31 December 2017 as compared to a net deferred tax asset of €2.6 billion as of 31 December 2016.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.5: Derivative Financial Instruments and Hedge Accounting Disclosure".

2.1.5.2 Currency Translation Adjustment Impact on AOCI

The €-539 million currency translation adjustment related impact on AOCI in 2017 mainly reflects the effect of the variations of the US dollar and the pound sterling.

2.1.6 Liquidity and Capital Resources

Airbus' objective is to generate sufficient operating cash flow in order to invest in its growth and future expansion, honour the Company's dividend policy and maintain financial flexibility while retaining its credit rating and competitive access to capital markets.

Airbus defines its consolidated net cash position as the sum of (i) cash and cash equivalents and (ii) securities, minus (iii) financing liabilities (all as recorded in the Consolidated Statements of Financial Position). Net cash position is an alternative performance measure and an indicator that allows the Company to measure its ability to generate sufficient liquidity to invest in its growth and future expansion, honour its dividend policy and maintain financial flexibility. The net cash position as of 31 December 2017 was €13.4 billion (€11.1 billion as of 31 December 2016).

The liquidity is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2017 with no financial covenants, as well as a Euro Medium Term Note programme and commercial paper programme. See "— 2.1.6.3 Consolidated Financing Liabilities" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash — Financing Liabilities". The factors affecting Airbus' cash position, and consequently its liquidity risk, are discussed below.

For information on Airbus SE's credit ratings, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 33: Capital Management" and see "— 2.1.6.1: Cash Flows".

2.1.6.1 Cash Flows

Airbus generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, risk-sharing partnerships with subcontractors and European Government refundable advances. In addition, Airbus' military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets.

The following table sets forth the variation of Airbus' consolidated net cash position over the periods indicated.

(in €m)	**2017**	2016	2015
Consolidated net cash position at 1 January	**11,113**	**10,003**	**9,092**
Gross cash flow from operations(1)	4,451	3,565	4,614
Changes in other operating assets and liabilities (working capital)(2)	266	346	(723)
thereof customer financing	*(100)*	*(252)*	*(150)*
Cash used for investing activities(3)	(982)	(730)	(1,066)
thereof industrial capital expenditures	*(2,558)*	*(3,060)*	*(2,924)*
Free Cash Flow(4)	**3,735**	**3,181**	**2,825**
thereof M&A transactions	*886*	*2,025*	*1,650*
Free Cash Flow before M&A(5)	*2,849*	*1,156*	*1,175*
Cash flow from customer financing (net)	(100)	(252)	(150)
Free Cash Flow before customer financing	*3,835*	*3,433*	*2,975*
Free Cash Flow before M&A and customer financing	*2,949*	*1,408*	*1,325*
Cash distribution to shareholders / Non-controlling interests	(1,046)	(1,012)	(948)
Contribution to plan assets of pension schemes	(458)	(290)	(217)
Changes in capital and non-controlling interests	83	60	195
Share buyback / Change in treasury shares	0	(736)	(264)
Others	(36)	(93)	(680)
Consolidated net cash position as of 31 December	**13,391**	**11,113**	**10,003**

(1) Represents cash provided by operating activities, excluding (i) changes in other operating assets and liabilities (working capital), (ii) contribution to plan assets of pension schemes and (iii) realised foreign exchange results on Treasury swaps (€-74 million in 2015; €-151 million in 2016; €185 million in 2017). It is an alternative performance measure and an indicator used to measure its operating cash performance before changes in working capital.
(2) Excluding reclassification of certain trade liabilities.
(3) Does not reflect change of securities (net investment of €-2,361 million for 2015; net disposal of €337 million for 2016; net investment of €-1,233 million for 2017), which are classified as cash and not as investments solely for the purposes of this net cash presentation. Excluding bank activities.
(4) Does not reflect change of securities, change in cash from changes in consolidation, contribution to plan assets of pension schemes and realised foreign exchange results on Treasury swaps. Excluding bank activities. Free Cash Flow is an alternative performance measure and indicator that reflects the amount of cash flow generated from operations after cash used in investing activities.
(5) Free Cash Flow before M&A refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and indicator that reflects Free Cash Flow excluding those cash flows from the disposal and acquisition of businesses.

The net cash position as of 31 December 2017 was €13.4 billion, a 20.5% increase from 31 December 2016. The increase primarily reflects the gross cash flow from operations (€4.5 billion), partially offset by the cash distribution to shareholders / non-controlling interests (€-1.0 billion) and the cash used for investing activities (€-1.0 billion).

Gross Cash Flow from Operations

Gross cash flow from operations is an alternative performance measure and an indicator used by Airbus to measure its operating cash performance before changes in working capital. Gross cash flow from operations increased by 24.9% to €4.5 billion for 2017, which reflects the strong EBIT Adjusted.

Changes in Other Operating Assets and Liabilities

Changes in other operating assets and liabilities is comprised of inventories, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances) and deferred income. They resulted in a €+0.3 billion positive impact on the net cash position for 2017, unchanged from a positive impact of €+0.3 billion for 2016.

In 2017, the main net contributors to the positive working capital variation were an increase in trade liabilities (€1.4 billion) due to more favourable payment terms to suppliers and the pre-delivery payment from customers (€1.3 billion). This was mainly offset by the change in inventory (€-2.6 billion) reflecting increased work in progress mainly associated with the A350 XWB and the A320neo at Airbus Commercial Aircraft.

European Government refundable advances. As of 31 December 2017, total European Government refundable advances liabilities, recorded on the statement of financial position in the line items "non-current other financial liabilities" and "current other financial liabilities" due to their specific nature, amounted to €5.9 billion, including accrued interest.

European Government refundable advances (net of reimbursements) decreased in 2017, primarily related to the update of the valuation of refundable advances from European Governments on the A380 programme following a review of the commercial assumptions as well as due to repayments made under the A350 XWB and the A380 programmes. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other Financial Assets and Other Financial Liabilities".

Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) M&A transactions and (iii) others.

Industrial capital expenditures. Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €-2.6 billion for 2017 as compared to €-3.1 billion for 2016 and €-2.9 billion for 2015. Capital expenditures in 2017 related to programmes at Airbus Commercial Aircraft of €-1.9 billion (among others for the ramp-up phase of A350 XWB and A320neo Family, for Beluga XL and for the A330neo) and additional projects in the Divisions of €-0.7 billion. Capital expenditures include product-related development costs that are capitalised in accordance with IAS 38. See "— 2.1.2.2 Capitalised development costs".

M&A transactions. In 2017, the €0.9 billion figure includes net proceeds of around €600 million from the defence electronics disposal and around €400 million from the Vector Aerospace sale. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 6: Acquisitions and Disposals".

In 2016, the €2.0 billion figure principally reflects the sale of Dassault Aviation shares and the finalisation of the creation of ASL in the first half of 2016.

Free Cash Flow

Airbus defines Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes, (v) realised foreign exchange results on Treasury swaps and (vi) Airbus bank activities. It is an alternative performance measure and key indicator that is important in order to measure the amount of cash flow generated from operations after cash used in investing activities. As a result of the factors discussed above, Free Cash Flow amounted to €3.7 billion for 2017 as compared to €3.2 billion for 2016 and €2.8 billion for 2015. Free Cash Flow before customer financing was €3.8 billion for 2017 as compared to €3.4 billion for 2016 and €3.0 billion for 2015.

Free Cash Flow before M&A

Free Cash Flow before mergers and acquisitions refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and key indicator that reflects Free Cash Flow excluding those cash flows resulting from acquisitions and disposals of businesses.

Free Cash Flow before M&A and Customer Financing

Free Cash Flow before M&A and customer financing refers to Free Cash Flow before mergers and acquisitions adjusted for cash flow related to aircraft financing activities. It is an alternative performance measure and indicator that may be used from time to time by Airbus in its financial guidance, especially when there is higher uncertainty around customer financing activities, such as during the suspension of ECA financing support.

Change in Treasury Shares

In 2017, there was no change in treasury shares. Change in treasury shares for 2016 amounted to €-0.7 billion, which was mostly related to the share buyback. In 2015 the Company undertook a share buyback for a maximum amount of €1 billion. The total cumulative amount of shares bought back and cancelled in 2015 and 2016 under the programme was 17,016,374 shares. The buyback programme took place between 2 November 2015 and 30 June 2016. All shares purchased under the share buyback programme were cancelled. As of 31 December 2017, the Company held 129,525 treasury shares.

Contribution to Plan Assets of Pension Schemes

The cash outflows of €-0.5 billion, €-0.3 billion and €-0.2 billion in 2017, 2016 and 2015, respectively, primarily relate to a contribution to the Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19, as well as to plan assets in the UK and to German benefit funds. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans".

Others

In 2017, the negative amount of €-36 million mainly resulted from the bank activities, partly compensated by the realised result from Treasury swaps and changes in consolidated financing liabilities.

In 2016, the negative amount of €-93 million mainly resulted from the bank activities, partly compensated by changes in consolidated financing liabilities and changes in securities.

2.1.6.2 Consolidated Cash and Cash Equivalents and Securities

The cash and cash equivalents and securities portfolio of Airbus is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. Please refer to the "Notes to the IFRS Consolidated

Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management".

Airbus has a partially automated cross-border and domestic cash pooling system in all countries with major group presence and whenever country regulations allow such practice (among others this includes mainly France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances Management's ability to assess reliably and instantaneously the cash position of each subsidiary within Airbus and enables Management to allocate cash optimally within Airbus depending upon shifting short-term needs.

2.1.6.3 Consolidated Financing Liabilities

The outstanding balance of Airbus' consolidated financing liabilities increased from € 10.5 billion as of 31 December 2016 to € 11.2 billion as of 31 December 2017. The increase in bonds corresponds principally to bonds issued on 10 April 2017, for a total of US$ 1.5 billion, with a 10 year-maturity tranche of US$ 750 million at fixed coupon of 3.150%, and a 30 year-maturity tranche of US$ 750 million at a fixed coupon of 3.950%. For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash — Financing Liabilities".

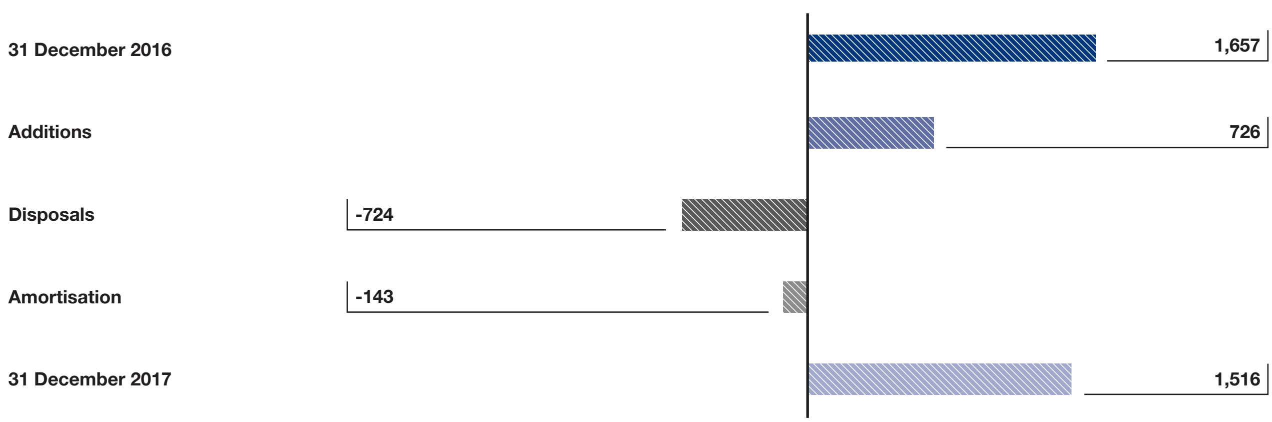
2.1.6.4 Sales Financing

Airbus favours cash sales and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products. However, in order to support product sales, primarily at Airbus Commercial Aircraft and Airbus Helicopters, Airbus may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties.

The financial markets remain unpredictable, which may cause Airbus to increase its future outlays in connection with customer financing of commercial aircraft and helicopters, mostly through finance leases and secured loans and if deemed necessary through operating lease structures. Nevertheless, Airbus intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total finance and asset value exposure of Airbus and its evolution in terms of quality, volume and intensity of cash requirements. Airbus aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

EVOLUTION OF AIRBUS COMMERCIAL AIRCRAFT GROSS EXPOSURE DURING 2017 IN US$ MILLIONS



Airbus Commercial Aircraft gross customer financing exposure as of 31 December 2017 is distributed over 52 aircraft, operated at any time by approximately 13 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. More than 90% of Airbus Commercial Aircraft gross customer financing exposure is distributed over 8 countries (this excludes backstop commitments).

Over the last three years (2015 to 2017), the average number of aircraft delivered in respect of which financing support has been provided by Airbus Commercial Aircraft amounted to 1% of the average number of deliveries over the same period, *i.e.* 8 aircraft financed per year out of 680 deliveries per year on average.

Airbus Helicopters' gross customer financing exposure amounted to € 137 million as of 31 December 2017. This exposure is distributed over 63 helicopters, operated by approximately 5 companies.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 25: Sales Financing Transactions".

2.1.7 Hedging Activities

More than 75% of Airbus' revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that Airbus does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro.

As Airbus intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, Airbus uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT.

The table below sets forth the notional amount of foreign exchange hedges in place as of 31 December 2017, and the average US dollar rates applicable to corresponding EBIT.

	2018	2019	2020	2021	2022+	Total
Total Hedges *(in US$bn)*	**24.5**	**25.1**	**22.4**	**13.0**	**3.7**	**88.7**
Forward Rates *(in US$)*						
€/US$	1.25	1.24	1.22	1.23	1.24	
£/US$	1.53	1.46	1.37	1.36	1.36	

For further information on Airbus' hedging strategies in response to its particular exposures as well as a description of its current hedge portfolio, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management."

2.2 Financial Statements

The IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus SE for the year ended 31 December 2017, together with the related notes, appendices and independent auditors' report, shall be deemed to be incorporated in and form part of this Registration Document.

In addition, the English version of the following document shall be deemed to be incorporated by reference in and form part of this Registration Document:

- The IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus Group SE for the year ended 31 December 2016, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 4 April 2017 and filed in English with the Chamber of Commerce of The Hague.

Copies of the above-mentioned documents are available free of charge upon request in English at the registered office of the Company and on **www.airbus.com** (Investors > Annual Reports and Registration Documents).

Copies of the above-mentioned Registration Documents are also available in English on the website of the AFM on **www.afm.nl** (Professionals > Registers > Approved prospectuses). The above-mentioned financial statements are also available in English for inspection at the Chamber of Commerce of The Hague.

The Company confirms that the reports of the auditors incorporated by reference herein have been accurately reproduced and that as far as the Company is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.

2.3 Statutory Auditors' Fees

Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 37: Auditor Fees".

2.4 Information Regarding the Statutory Auditors

	Date of first appointment	Expiration of current term of office
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	11 April 2018

* A resolution will be submitted to the Annual General Meeting of Shareholders in 2018, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2018 financial year.

Ernst & Young Accountants LLP has a licence from the AFM to perform statutory audits for Public Interest Entities and its representative is member of the NBA *(Koninklijke Nederlandse Beroepsorganisatie van Accountants – the Royal Netherlands Institute of Chartered Accountants). The NBA is the professional body for accountants in the Netherlands).*

Chapter

3

3

General Description of the Company and its Share Capital

3.1 General Description of the Company

3.1.1 Commercial and Corporate Names, Seat and Registered Office

Commercial Name: Airbus

Statutory Name: Airbus SE

Registered Office: Mendelweg 30, 2333 CS Leiden, The Netherlands

Seat *(statutaire zetel)*: Amsterdam

Tel: +31 (0)71,5245,600

Fax: +31 (0)71,5232,807

3.1.2 Legal Form

The Company is a European public company (*Societas Europaea*), with its seat in Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945. As a company operating worldwide, the Company is subject to, and operates under, the laws of each country in which it conducts business.

3.1.3 Governing Laws and Disclosures

The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code and the Dutch Corporate Governance Code) and by its Articles of Association (the "**Articles of Association**").

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the "**WFT**"). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

3.1.3.1 Periodic Disclosure Obligations

Pursuant to Directive 2004 / 109 / EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended, the "**Transparency Directive**"), the Company is required to disclose certain periodic and ongoing information (the "**Regulated Information**").

Pursuant to the Transparency Directive, the Company must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, the Company may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. The Company must then ensure that Regulated Information remains publicly available for at least ten years.

Finally, Regulated Information must be made available for central storage by a mechanism that is officially designated by the Company's home Member State.

Dutch Regulations

For the purpose of the Transparency Directive, supervision of the Company is effected by the Member State in which it maintains its corporate seat, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by the Company in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, the Company is subject to a number of periodic disclosure requirements, such as:

- publishing an Annual Financial Report, together with an audit report drawn up by the Statutory Auditors, within four months after the end of each financial year; and
- publishing a semi-Annual Financial Report, within three months after the end of the first six months of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company's shareholders, its audited annual financial statements (including the consolidated ones), the management report, the Auditors' report and other information related to the financial statements.

French Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in France the same information as that provided abroad.

German Regulations

Due to the listing of the Company's shares in the *Prime Standard* sub-segment of the Regulated Market (*regulierter Markt*) of the Frankfurt Stock Exchange, the Company is subject to certain post-listing obligations as described below. The Company is included *inter alia* in the selection index MDAX, the MidCap index of *Deutsche Börse AG.*

Pursuant to the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the Company is required to publish consolidated annual and semi-annual financial statements as well as quarterly reports which may be prepared in English only. In addition, pursuant to the Exchange Rules, the Company is required to publish a financial calendar at the beginning of each financial year in German and English. The Company is also required to hold an analysts' meeting at least once per year in addition to the press conference regarding the annual financial statements.

Spanish Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in Spain the same information as that provided abroad.

3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular "inside information" as defined pursuant to Article 7 of EU Regulation No. 596 / 2014 on market abuse (the "**Market Abuse Regulation**" or "**MAR**"). Such information must be disseminated throughout the European Community (see introduction to section "— 3.1.3.1 Periodic Disclosure Obligations").

Inside information consists of information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such delay would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, the Company must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. The Company will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire Airbus shares.

French Regulations

Any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

German Regulations

Any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

Spanish Regulations

Any inside information as defined above will be disclosed simultaneously in Spain by filing the relevant regulatory announcement (*hecho relevante*) with the CNMV.

Pursuant to the Spanish securities rules and regulations, the Company is also required to make available to shareholders and file with the CNMV a Corporate Governance Report in the Spanish language or in a language customary in the sphere of international finance on an annual basis.

3.1.4 Date of Incorporation and Duration of the Company

The Company was incorporated on 29 December 1998 for an unlimited duration.

3.1.5 Objects of the Company

Pursuant to its Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in:

- the aeronautic, defence, space and/or communication industry; or
- activities that are complementary, supportive or ancillary thereto.

3.1.6 Commercial and Companies Registry

The Company is registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945.

3.1.7 Inspection of Corporate Documents

The Articles of Association are available for inspection in Dutch at the Chamber of Commerce.

In France, the Articles of Association are available at the operational headquarters of Airbus (2, rond-point Emile Dewoitine, 31700 Blagnac, France, Tel.: +33 5 81 31 75 00).

In Germany, the Articles of Association are available at the Munich office of Airbus (Willy-Messerschmitt-Strasse 1, 82024 Ottobrunn, Germany, Tel.: +49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the Madrid office of Airbus (Avenida de Aragón 404, 28022 Madrid, Spain, Tel.: +34 91,585 70 00).

3.1.8 Financial Year

The financial year of the Company starts on 1 January and ends on 31 December of each year.

3.1.9 Allocation and Distribution of Income

3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the shareholders' meeting.

The shareholders' meeting may resolve (if so proposed by the Board of Directors) that all or part of a distribution on shares shall be paid in Airbus shares or in the form of assets as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends, interim dividends or other distributions shall be payable on such date(s) as determined by the Board of Directors.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

The persons entitled to a dividend, interim dividend or other distribution shall be the shareholders as at a record date to be determined by the Board of Directors for that purpose, which date may not be a date prior to the date on which such dividend, interim dividend or other distribution is declared.

3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.

3.1.10 General Meetings

3.1.10.1 Calling of Meetings

Shareholders' meetings are held as often as the Board of Directors deems necessary, when required under the Dutch Civil Code (as a result of a decrease of the Company's equity to or below half of the Company's paid up and called up capital) or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company. The AGM of Shareholders of the Company is held within six months of the end of the financial year.

The Board of Directors must give notice of shareholders' meetings through publication of a notice on the Company's website (**www.airbus.com**), which will be directly and permanently accessible until the shareholders' meeting. The Company must comply with the statutory rules providing for a minimum convening period, which currently require at least 42 days of notice. The convening notice must state the items required under Dutch law.

Shareholders' meetings are held in Amsterdam, The Hague, Rotterdam or Haarlemmermeer (Schiphol Airport). The Board of Directors may decide that shareholders' meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the AGM of Shareholders at least ten weeks before the Meeting. A matter which one or more shareholders or other parties with meeting rights collectively representing at least the statutory threshold (which is currently 3% of the issued share capital) have requested in writing to be put on the agenda for a General Meeting of Shareholders shall be included in the convening notice or shall be announced in the same fashion, if the substantiated request or a proposal for a resolution is received by the Company no later than the 60th day before the general meeting. When exercising the right to put a matter on the agenda for a General Meeting of Shareholders, the respective shareholder or shareholders are obliged to disclose their full economic interest to the Company. The Company must publish such disclosure on its website.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

3.1.10.2 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. See "— 3.1.10.4 Conditions of Exercise of Right to Vote". 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 be appointed for 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 registration date referred to in the Dutch Civil Code which is currently 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 S.A. 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. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any shareholders' meeting to be held except as required under applicable law for a very limited number of resolutions of an extraordinary nature. Dutch law requires a special majority for the passing of certain resolutions: *inter alia*, capital reduction, exclusion of pre-emption rights in connection with share issues, statutory mergers or statutory de-mergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the shareholders' meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve the Company may only be adopted with a majority of at least two-thirds of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting, and resolutions to amend certain provisions of the Articles of Association may only be adopted with a majority of at least 75% of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting.

3.1.10.4 Conditions of Exercise of Right to Vote

In all shareholders' meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of the Company – as set forth in "— 3.3.2 Relationships with Principal Shareholders" – do not enjoy different voting rights from those of the other shareholders.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

According to the Articles of Association, no vote may be cast at the General Meeting on a share that is held by the Company or a subsidiary, nor for a share in respect of which one of them holds the depository receipts. Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.

3.1.11 Disclosure of Holdings

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person whose interest in the capital or voting rights of the Company meets, exceeds or falls below one or several of the above-mentioned thresholds due to a change in the Company's outstanding capital, or in voting rights attached to the shares as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the notification by the Company. Among other things, the Company is required to notify the AFM immediately if its outstanding share capital or voting rights have changed by 1% or more since the Company's previous notification.

If at the end of a calendar year the composition of a shareholder's holding differs from its previous disclosure as a result of the conversion of certain types of securities or following the exercise of rights to acquire voting rights, this shareholder must then provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website (**www.afm.nl**).

Pursuant to the Articles of Association, shareholders must notify the Company when meeting or crossing the thresholds above. The Articles of Association also contain disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds.

Under the Articles of Association, the disclosure obligations of shareholders are enhanced in several ways beyond what is required under the WFT, including by requiring the disclosure of additional information, tying the disclosure obligations to a broader range of interests in the capital or voting rights of the Company and by requiring a shareholder to notify the Company if his or her interest reaches, exceeds or falls below the Mandatory Disposal Threshold (as defined below) or if the interest of a shareholder (alone or a member of a concert) which is above such Mandatory Disposal Threshold changes in its composition, nature and/or size.

Failure to comply with the legal obligation to notify a change in shareholding under the WFT is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights. Failure to comply with a notification under the Articles of Association can lead to a suspension of meeting and voting rights.

Disclosure Requirements for Members of the Board of Directors and the Executive Committee

Disclosure of Holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, Members of the Board of Directors must report to the AFM the number of shares in the Company and attached voting rights[(1)] held by him or an entity controlled by him, within two weeks following his appointment as Director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any Member of the Board of Directors is required to notify the AFM of any changes in such number of shares in the Company and attached voting rights.

Disclosure of Transactions Carried Out on Any Securities Issued by the Company

Based on the Market Abuse Regulation, certain persons discharging managerial or supervisory responsibilities within the Company as well as persons closely associated with them (together "**Insiders**", as defined below), are required to notify the Company and the AFM within three trading days of all transactions conducted for their own account involving shares of the Company, or derivatives or other financial instruments related to such shares, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

"Insiders" for the Company include (i) Members of the Board of Directors and the Executive Committee of the Company as well as certain other senior executives who are not members of these bodies and who have regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, life partners or any partner considered by national law as equivalent to the spouse, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

The Company has adopted specific internal insider trading rules (the "**Insider Trading Rules**") in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. The Insider Trading Rules are available on the Company's website, and provide in particular that: (i) all employees and Directors are prohibited from conducting transactions in the Company's shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in the Company's shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules.

Pursuant to the Market Abuse Regulation, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information.

(1) In this context, the term "shares" also includes for example depositary receipts for shares and rights resulting from an agreement to acquire shares or depositary receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term "voting rights" also includes actual or contingent rights to voting rights (*e.g.*, embedded in call options, warrants or convertible bonds).

3.1.12 Mandatory Disposal

3.1.12.1 Mandatory Disposal Threshold Restricting Ownership to 15%

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 WFT, 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. 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, their Excess Shares would be transferred to a Dutch law foundation ("*Stichting*"), which can, and eventually must, dispose of them.

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 "— 3.1.12.2 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 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.

3.1.12.2 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 Airbus 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 the date when the current Articles of Association entered into force (the "**Exemption Date**").

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 Société de Gestion de Participations Aéronautiques ("**Sogepa**"), as it held more than 15% of the outstanding Company 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, Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**") and Sociedad Estatal de Participaciones Industriales ("**SEPI**"), as they held more than 15% of the outstanding Company voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

3.1.13 Mandatory Offers

3.1.13.1 Takeover Directive

The Directive 2004 / 25 / EC on takeover bids (the "**Takeover Directive**") sets forth the principles governing the allocation of laws applicable to the Company in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by the Company from among the various market authorities supervising the markets where its shares are listed.

For the Company, matters relating to, *inter alia*, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by the Company at a future date.

Matters relating to the information to be provided to the employees of the Company and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the conditions under which the Board of Directors of the Company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see "— 3.1.13.2 Dutch Law").

3.1.13.2 Dutch Law

In accordance with the Dutch act implementing the Takeover Directive (the "**Takeover Act**"), 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 term is defined in the Takeover Act), 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 Act 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.

3

3.2 General Description of the Share Capital

3.2.1 Issued Share Capital

As of 31 December 2017, the Company's issued share capital amounted to €774,556,062, consisting of 774,556,062 fully paid-up shares of a nominal value of €1 each.

3.2.2 Authorised Share Capital

As of 31 December 2017, the Company's authorised share capital amounted to €3 billion, consisting of 3 billion shares of €1 each.

3.2.3 Modification of Share Capital or Rights Attached to the 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 shares issued for consideration other than cash and shares issued to employees of Airbus. For the contractual position as to pre-emption rights, see "— 3.3.2 Relationships 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 provide that a 75% voting majority is required for 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. The same voting majority requirement 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.

Pursuant to the shareholders' resolutions adopted at the AGM held on 12 April 2017, 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 2017, and shall not extend to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of €500 million per share issuance.

At the AGM held on 12 April 2017, 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 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.

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 said 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 12 April 2017, the Board of Directors and the Chief Executive Officer 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.

3.2.4 Securities Granting Access to the Company's Share Capital

Except for convertible bonds (See "— Corporate Governance — 4.3.3 Long-Term Incentive Plans" and please refer to the "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 2017 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights[1]
Total number of Company shares issued as of 31 December 2017	774,556,062	99.356%	774,426,537	99.356%
Total number of Company shares which may be issued following exercise of the convertible bonds	5,022,990	0.644%	5,022,990	0.644%
Total potential Company share capital	**779,579,052**	**100%**	**779,449,527**	**100%**

(1) 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. See "— 3.3.7.1 Dutch law and information on share repurchase programmes".

3.2.5 Changes in the Issued Share Capital

Date	Nature of Transaction	Nominal value per share	Number of shares issued / cancelled	Premium[1]	Total number of issued shares after transaction	Total issued capital after transaction
20 June 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	47,648,691	-	779,719,254	€779,719,254
29 July 2013	Issue of shares for the purpose of an employee offering	€1	2,113,245	€57,580,650	781,832,499	€781,832,499
27 September 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	3,099,657	-	778,732,842	€778,732,842
27 September 2013	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 29 May 2013	€1	2,448,884	-	776,283,958	€776,283,958
In 2013	Issue of shares following exercise of options granted to employees[2]	€1	6,873,677	€176,017,918	783,157,635	€783,157,635
In 2014	Issue of shares following exercise of options granted to employees[2]	€1	1,871,419	€50,619,684	784,780,585	€784,780,585
In 2015	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 27 May 2015	€1	2,885,243	-	785,333,784	€785,333,784
In 2015	Issue of shares following exercise of options granted to employees[2]	€1	1,910,428	-	785,344,784	€785,344,784
In 2016	Cancellation of treasury shares	€1	14,131,131	-	771,213,653	€771,213,653
In 2016	Issues of shares for the purpose of an employee offering	€1	1,474,716	-	772,688,369	€772,688,369
In 2016	Issue of shares following exercise of options granted to employees[2]	€1	224,500	-	772,912,869	€772,912,869
In 2017	Issues of shares for the purpose of an employee offering	€1	1,643,193	-	774,556,062	€774,556,062

(1) The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.
(2) For information on Stock Option Plans under which these options were granted to the Company's employees, see "— Corporate Governance — 4.3.3 Long-Term Incentive Plans".

In the course of 2017, a total number of 1,643,193 new shares were issued, all in the framework of the Employee Share Ownership Plan ("**ESOP**"). During 2017, (i) the Company did not repurchase any shares and (ii) none of the treasury shares were cancelled. As a result, as at 31 December 2017, the Company held 129,525 treasury shares.

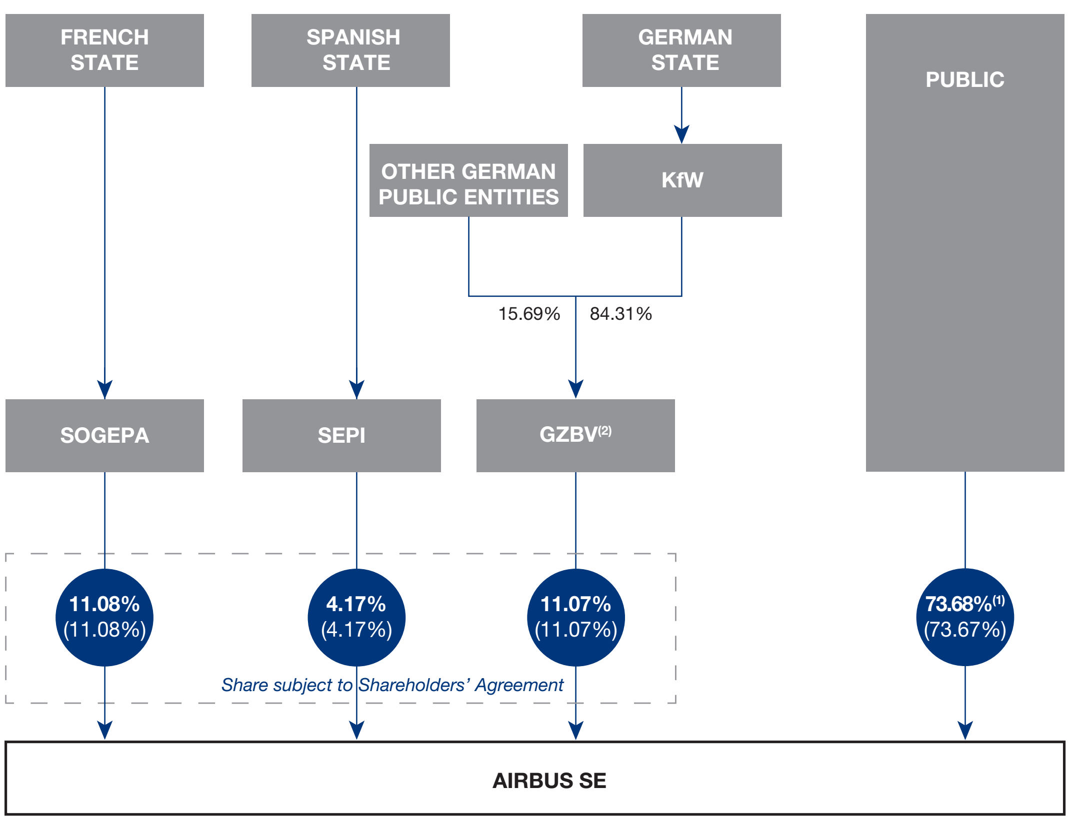
3.3 Shareholdings and Voting Rights

3.3.1 Shareholding Structure at the End of 2017

As of 31 December 2017, the French State held 11.08% of the outstanding Company shares through Sogepa, the German State held 11.07% through 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, and the Spanish State held 4.17% through SEPI. The public (including Airbus' employees) and the Company held, respectively, 73.66% and 0.02% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2017 (% of capital and of voting rights (in parentheses) before exercise of the convertible bonds). See "— Corporate Governance — 4.3.3 Long-Term Incentive Plans".

OWNERSHIP STRUCTURE OF AIRBUS SE AS OF 31 DECEMBER 2017



(1) Including shares held by the Company itself (0.02%).
(2) KfW & other German public entities.

In 2017, the below listed entities have notified the AFM of their substantial interest in the Company. For further details, please refer to the website of the AFM at: **www.afm.nl**:

- Capital Group International Inc. owns 10.06% of the voting rights via Capital Research and Management Company.

As of 31 December 2017, the Company held, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 129,525 of its own shares, equal to 0.02% of issued share capital. The treasury shares owned by the Company do not carry voting rights.

For the number of shares and voting rights held by Members of the Board of Directors and Executive Committee, see "— Corporate Governance — 4.2.1 Remuneration Policy".

Approximately 2.0% of the share capital (and voting rights) was held by the Company's employees as of 31 December 2017.

3.3.2 Relationships with Principal Shareholders

In 2013, GZBV, 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.

3.3.2.1 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 sections 3.1.11 and 3.1.12 above and section 4 below.

3.3.2.2 Core Shareholder Arrangements

Grandfathering Agreement

At the Consummation, 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 new 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.

Shareholders' Agreement

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**").

Governance of the Company

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 exercise 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 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 their common objective to seek a balance between themselves of their respective interest 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;
- 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).

3.3.2.3 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 and Negotiations

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 of Directors. Two of the French Defence Outside Directors are required to also be Members of the Board of Directors. 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 of Directors) 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 were Members of the Board of Directors. Two of the German Defence Outside Directors are required to also be Members of the Board of Directors. 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.

Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company would:

- grant the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- commit to consult with the French State prior to making any decision at any shareholders' meeting of Dassault Aviation.

For more information about Dassault Aviation, see "— Information of Airbus Activities — 1.1.5 Investments".

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 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.

3.3.3 Form of Shares

The shares of the Company are in registered form. The Board of Directors may decide with respect to all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders' register without the issue of a share certificate or, should the Board of Directors so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

3.3.4 Changes in the Shareholding of the Company

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

	Position as of 31 December 2017			Position as of 31 December 2016			Position as of 31 December 2015		
Shareholders	*% of capital*	*% of voting rights*	*Number of shares*	*% of capital*	*% of voting rights*	*Number of shares*	*% of capital*	*% of voting rights*	*Number of shares*
SOGEPA	11.08%	11.08%	85,835,477	11.11%	11.11%	85,835,477	10.93%	10.95%	85,835,477
GZBV(1)	11.07%	11.07%	85,709,822	11.09%	11.09%	85,709,822	10.91%	10.93%	85,709,822
SEPI	4.17%	4.17%	32,330,381	4.18%	4.18%	32,330,381	4.12%	4.12%	32,330,381
Sub-total New Shareholder Agt.	**26.32%**	**26.33%**	**203,875,680**	**26.38%**	**26.38%**	**203,875,680**	**25.96%**	**26.01%**	**203,875,680**
Foundation “SOGEPA”	0.00%	0.00%	-	0.00%	0.00%	0	0.00%	0.00%	0
Public(2)	73.66%	73.67%	570,550,857	73.60%	73.62%	568,853,019	73.85%	73.99%	579,995,047
Own share buyback(3)	0.02%	-	129,525	0.02%	-	184,170	0.19%	-	1,474,057
Total	**100%**	**100%**	**774,556,062**	**100%**	**100%**	**772,912,869**	**100%**	**100%**	**785,344,784**

(1) KfW & other German public entities.
(2) Including Company employees. As of 31 December 2017, the Company’s employees held approximately 2.0% of the share capital (and voting rights).
(3) The shares owned by the Company do not carry voting rights.

To the knowledge of the Company, there are no pledges over the shares of the Company.

The Company requested disclosure of the identity of the beneficial holders of its shares held by identifiable holders (“*Titres au porteur identifiables*”) holding 2,000 or more shares each. The study, which was completed on 31 December 2017, resulted in the identification of 1,893 shareholders holding a total of 569,727,245 Company shares (including 1,858,501 shares held by Iberclear on behalf of the Spanish markets and 25,517,394 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company as of 31 December 2017 is as shown in the diagram in “— 3.3.1 Shareholding Structure at the end of 2017”.

3.3.5 Persons Exercising Control over the Company

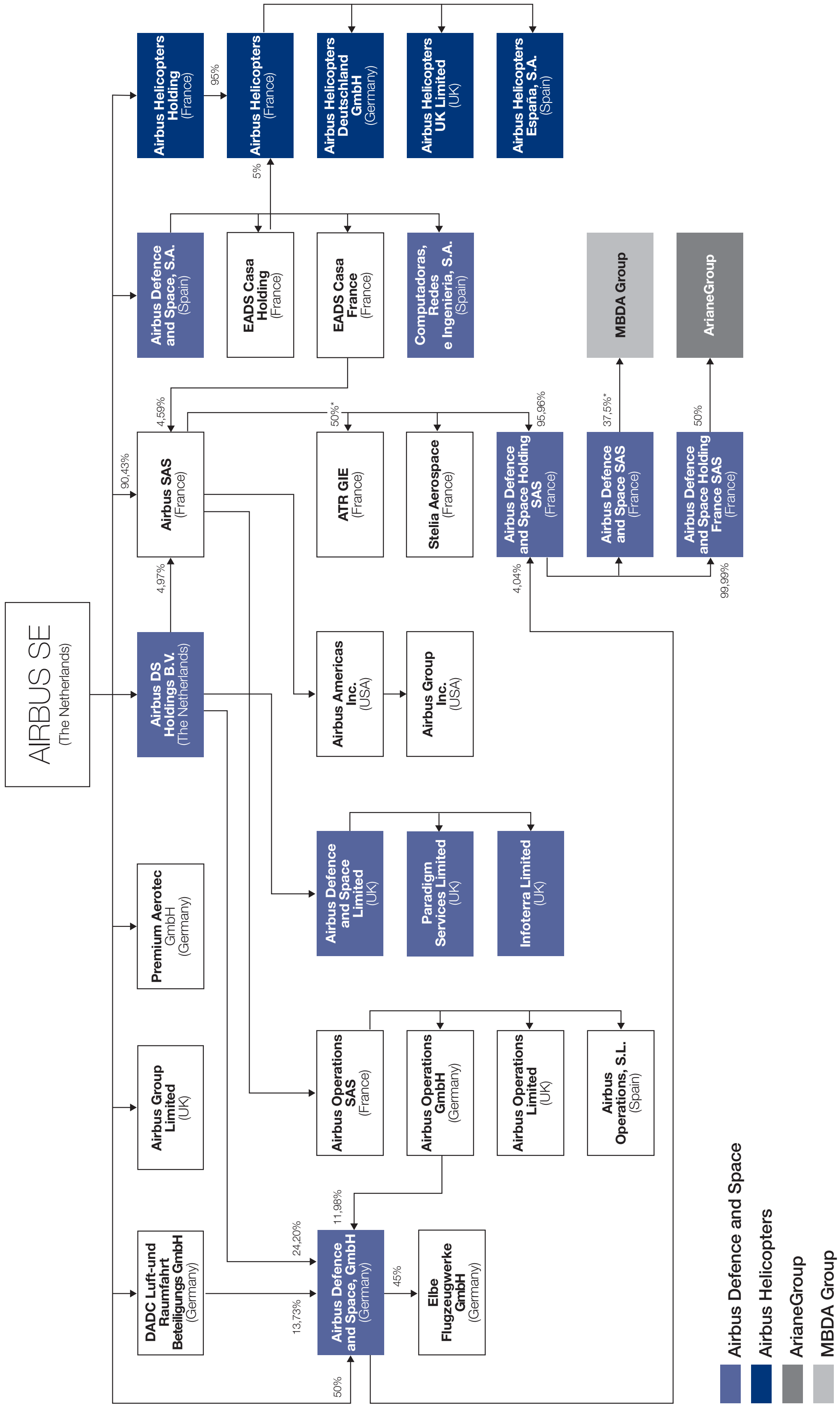
See “— 3.3.1 Shareholding Structure at the end of 2017” and “— 3.3.2 Relationships with Principal Shareholders”.

3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of Airbus as of 31 December 2017, comprising three Divisions and the main Business Units. See “— Information on Airbus Activities — 1.1.1 Overview — Organisation of Airbus’ Businesses”. For ease of presentation, certain intermediate holding companies have been omitted.

3

SIMPLIFIED GROUP STRUCTURE CHART



*Airbus owns indirectly 50% of ATR GIE, 50% of ArianeGroup and 37.50% of MBDA Group.

Subsidiaries held with no indication of ownership percentage are 100% owned.

Legal forms are indicated for information purposes and are not always part of the legal name.

3.3.7 Purchase by the Company of its Own Shares

3.3.7.1 Dutch Law and Information on Share Repurchase Programmes

Under Dutch civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders' meeting has authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

For the authorisations granted to the Board of Directors at the AGM of Shareholders held on 12 April 2017, see "— 3.2.3 Modification of Share Capital or Rights Attached to the Shares".

3.3.7.2 European Regulation

Pursuant to the Market Abuse Regulation and EU Delegated Regulation no. 2016/1052, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto. In particular, prior to implementing the share repurchase programme, the Company must ensure adequate disclosure of the following information: the purpose of the programme, the maximum pecuniary amount allocated to the programme, the maximum number of shares to be acquired, and the duration of the programme.

In addition, the Company must report to the competent authority of each trading venue on which the shares are admitted to trading or are traded no later than by the end of the seventh daily market session following the date of execution of the transaction, all the transactions relating to the buy-back programme and ensure adequate disclosure of that certain information relating thereto within the same time frame. These transactions must be posted on the Company's website and be made available to the public for at least a 5-year period from the date of adequate public disclosure.

3.3.7.3 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the European regulations summarised above in 3.3.7.2 (*European Regulation*).

In addition, the *Autorité des marchés financiers* ("**AMF**") General Regulations and AMF guidelines n°2017-04 define the conditions for a company's trading in its own shares to be valid in accordance with the Market Abuse Regulation and EU Delegated Regulation no. 2016 / 1052.

Moreover, the Company must report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

3.3.7.4 German Regulations

As a foreign issuer, the Company is subject to German rules on repurchasing its own shares only to a limited extent, since German rules refer to the law of the Member State in which the Company is domiciled. In addition, general principles of German law on equal treatment of shareholders are applicable.

The European regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Germany.

3.3.7.5 Spanish Regulations

As a foreign issuer, the Company is not subject to Spanish rules on trading in its own shares, which only apply to Spanish issuers. The European regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Spain.

3.3.7.6 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be Held on 11 April 2018

Pursuant to Articles 241-2-I and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("*descriptif du programme*") to be implemented by the Company:

- **date of the shareholders' meeting to authorise the share repurchase programme**: 11 April 2018;
- **intended use of the Airbus SE shares held by the Company as of the date of this document**: the owning of shares for the performance of obligations related to employee share option programmes or other allocations of shares to employees of Airbus and Airbus' companies;
- **purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which will be determined on a case-by-case basis by the Board of Directors based on need):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, it being understood that the repurchased shares shall not carry any voting or dividend rights,
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into Airbus SE shares, or (ii) employee share option programmes or other allocations of shares to employees of Airbus and Airbus' companies,

  - the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
  - the liquidity or dynamism of the secondary market of the Airbus SE shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 1 October 2008 (as amended) related to approval of liquidity agreements recognised as market practices by the AMF;
- **procedure:**
  - maximum portion of the issued share capital that may be repurchased by the Company: 10%,
  - maximum number of shares that may be repurchased by the Company: 77,455,606 shares, based on an issued share capital of 774,556,062 shares as of 28 February 2018,
  - the amounts to be paid in consideration for the purchase of the treasury shares must be, in accordance with applicable Dutch law, 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.

    The Company undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext,
  - shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to Airbus SE shares within the limits set out in this document.

    The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,
  - in addition, in the event that derivative financial instruments are used, the Company will ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,
  - characteristics of the shares to be repurchased by the Company: shares of Airbus SE, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
  - maximum purchase price per share: € 100;
- **term of the share repurchase programme and other characteristics**: this share repurchase programme shall be valid until 11 October 2019 inclusive, *i.e.* the date of expiry of the authorisation requested from the AGM of Shareholders to be held on 11 April 2018.

As of the date of this document, the Company has not entered into any liquidity agreement with an independent investment services provider in the context of the share repurchase programme.

Share Repurchase Programme 2017

On 28 February 2018, the Company started implementing a share buyback programme that was conferred by Board of Directors on 14 February 2018 following the authorisation by the Company's Annual General Meeting of shareholders on 12 April 2017. This share buyback programme is reported in accordance with the Market Abuse Regulation.

3.4 Dividends

3.4.1 Dividends and Cash Distributions Paid

Cash distributions paid to the shareholders are set forth in the table below:

Financial year	Date of the cash distribution payment	Gross amount per share[1]
2013	3 June 2014	€0.75
2014	3 June 2015	€1.20
2015	3 May 2016	€1.30
2016	20 April 2017	€1.35

(1) Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

3.4.2 Dividend Policy of the Company

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 €3.71 and a net income of €2.873 million, the Board of Directors will propose to the AGM the payment to shareholders on 18 April 2018 of a dividend of €1.50 per share (FY 2016: €1.35). This value is at the upper end of the dividend policy reflecting our strong 2017 achievements, including the positive evolution of the 2017 underlying performance and our 2017 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 17 April 2018. This proposed dividend represents year-on-year dividend per share increase of 11.1%.

3.4.3 Unclaimed Dividends

Pursuant to the Articles of Association, the claim for payment of a dividend or other distribution approved by the shareholders' meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

3.4.4 Taxation

The statements below represent a broad analysis of the current tax laws of the Netherlands. The description is limited to the material tax implications for a holder of the Company's shares (the "**Shares**") who is not and is not deemed to be resident in the Netherlands for any Dutch tax purposes (a "**Non-Resident Holder**"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional advisors. Where the summary refers to "the Netherlands" or "Netherlands" or "Dutch", it refers only to the European part of the Kingdom of the Netherlands.

Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to Dutch withholding tax at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Dutch dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Dutch dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Dutch dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax pursuant to domestic rules or under a tax convention that is in effect between the Netherlands and the Non-Resident Holder's country of residence for tax purposes. The Netherlands has concluded such conventions with the US, Canada, Switzerland, Japan, almost all European Union Member States and other countries.

Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Dutch withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. In principle, a redemption or sale to the Company or a direct or indirect subsidiary of the Company will be deemed to be a dividend and will be subject to the rules set forth in "Withholding Tax on Dividends" above.

Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realises a capital gain derived from Shares, will not be subject to Dutch taxation on income or a capital gain unless:

- the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("*vaste inrichting*") or permanent representative ("*vaste vertegenwoordiger*") taxable in the Netherlands and the holder of Shares derives profits from such enterprise (other than by way of the holding of securities); or
- the Non-Resident Holder is an entity and has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest is held by the Non-Resident Holder with the main purpose of or one of the main purposes of avoiding personal income tax for another person; or
- the Non-Resident Holder is an individual and such holder or a connected person to such holder ("*verbonden persoon*") has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company; or
- the income or capital gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*"), including without limitation, activities that exceed normal, active asset management (*normaal actief vermogensbeheer*).

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. Generally, a deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

Gift or Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Shares by way of gift by, or on the death of, a Non-Resident Holder, unless the transfer is construed as an inheritance or gift made by or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

There is no Dutch value added tax payable by a holder of Shares in respect of dividends on the Shares or on the transfer of the Shares.

Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty other than court fees payable in the Netherlands by a holder of Shares in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) with respect to the dividends on the Shares or on the transfer of the Shares.

Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

Chapter

4

Corporate Governance

4.1 Management and Control

The corporate governance arrangements of the Company were substantially changed pursuant to the Multiparty Agreement, including changes in the composition of the Board of Directors and the rules governing its internal affairs (the "**Board Rules**"). These changes are 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. Below is a summary description of such changes.

4.1.1 Corporate Governance Arrangements

4.1.1.1 Board of Directors

a) Composition Rules and Principles

Under the Articles of Association, the Board of Directors consists of at most 12 Directors. Under the Board Rules, each Board Director shall retire at the close of the AGM held three years following his or her appointment, unless the said mandate is renewed. 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 Chief Executive Officer of the Company (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 of the Board of Directors (the "**RNGC**") 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 Dutch 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 proposals to appoint or replace a resigning or incapacitated Director, are both required to apply the following principles:

- the preference for the best candidate for the position;
- the preference for gender diversity between equal profiles;
- the maintenance of appropriate skills mix and geographical experience;
- 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 the four Member States of the EU 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 seek greater diversity with respect to gender, age, geography, education, profession and background.

In 2017, one new member joined the Board of Directors, Lord Drayson. He has the competencies and personal skills to fulfil this position in line with the Board's expectations and the evolution of the business within the Company. As an engineer and entrepreneur, he brings amongst other qualities the right expertise for our innovation focus and digital journey. Following the replacement of Mr. Mittal by Lord Drayson, the Company will strive to find a new Board Member with an Asian profile.

At the end of 2017 half of the Members of the Board of Directors were under the age of 60. The proportion of female representation is today at 25% against 0% five years ago. The Board composition shows a balanced mix of experience with, for example, four Members having Defence industry skills, six having geopolitical or economics skills or four having information or data management skills. More details as to the diversity of the Board of Directors Members are available in the table shown below.

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 in "3.3.2.3 — Undertakings with Respect to Certain Interests of Certain Stakeholders". In practice, this means that (i) two of the Directors submitted to the shareholders for appointment 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 of the Directors submitted to the shareholders for appointment 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 schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors while it takes into account that a Director should at the time of his 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 of Directors if specific circumstances provide an appropriate justification for such exceptions.

b) Role of the Board of Directors

Most Board of Directors' decisions can be made by a simple majority of the votes of the Directors (a "**Simple Majority**"), but certain decisions must be made by a 2/3 majority (*i.e.* eight favourable votes) of the Directors regardless of whether 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.

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, 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 ("Yearly Budget"), including the plans for Investment, 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 of Directors 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.

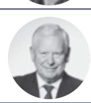
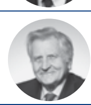
The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. 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 sets out the core principles which each and every Member of the Board of Directors shall comply 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 their duties and avoiding any and all conflicts of interest.

c) The Board of Directors in 2017

(i) Composition of the Board of Directors in 2017

AIRBUS SE BOARD OF DIRECTORS

Name		Age	Since	Current term expires	Director expertise	Status	Primary occupation & Other mandates	Board attendance	Committee membership: Audit	Committee membership: RNGC	Committee membership: ECC**
Denis RANQUE		66	*2013, last re-election in 2017*	2020	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Defence Industry, Information & Data Management	I	Chairman of the Board of Directors of Airbus SE	Chairman 9/9			Chairman 10/10
Thomas ENDERS		59	*2012, last re-election in 2016*	2019	Global Business, Manufacturing & Production, Aerospace Industry, Geopolitical Economics, Defence Industry	E	Chief Executive Officer of Airbus SE	9/9			3/5
Ralph D. CROSBY, JR.		70	*2013, last re-election in 2017*	2020	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Defence Industry	I	Member of the Board of Directors of American Electric Power Corp.	9/9	3/4		
Lord DRAYSON (Paul)		57	*2017*	2020	Global Business, Engineering & Technology, Finance & Audit, Geopolitical Economics, Defence Industry	I	Co-Founder, Chairman and CEO of Drayson Technologies Ltd	7/7 *(from AGM 2017)*		7/7	
Catherine GUILLOUARD		53	*2016*	2019	Global Business, Engineering & Technology, Aerospace Industry, Finance & Audit, Geopolitical Economics	I	Chief Executive Officer of RATP	8/9	4/6		5/7
Hans-Peter KEITEL		70	*2013, re-election in 2016*	2018	Global Business, Engineering & Technology, Manufacturing & Production, Geopolitical Economics	I	Former CEO of HOCHTIEF AG	7/9		8/9	
Hermann-Josef LAMBERTI		62	*2007, last re-election in 2017*	2020	Global Business, Finance & Audit, Geopolitical Economics, Information & Data Management	I	Former Member of the Management Board of Deutsche Bank AG	8/9	Chairman 6/6		7/10
Amparo MORALEDA*		53	*2015, re-election in 2018*	2018	Global Business, Engineering & Technology, Finance & Audit, Information & Data Management	I	Member of the Board of Directors of Solvay, CaixaBank and Vodafone	9/9	*2/2*	*7/7*	*7/7*
Claudia NEMAT		49	*2016*	2019	Global Business, Engineering & Technology, Finance & Audit, Geopolitical Economics, Information & Data Management	I	Member of the Board of Management of Deutsche Telekom AG	8/9	*5/6*		
Sir John PARKER		75	*2007, last re-election in 2016*	2018	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Defence Industry	I	Chairman of Anglo American PLC	7/9		Chairman 9/9	*9/10*
Carlos TAVARES		59	*2016*	2019	Global Business, Engineering & Technology, Manufacturing & Production, Asia	I	Chairman of the Managing Board of Peugeot SA	7/9			
Jean-Claude TRICHET		75	*2012, last re-election in 2016*	2018	Global Business, Engineering & Technology, Manufacturing & Production, Aerospace Industry, Finance & Audit, Geopolitical Economics	I	Honorary Governor of Banque de France Former President of the European Central Bank	9/9		*9/9*	
								9 meetings 91% attendance rate	6 meetings 83% attendance rate	9 meetings 92% attendance rate	10 meetings 85% attendance rate

Status as of 14 February 2018.
** To be re-elected in 2018.* *** Ethics & Compliance Committee (ECC) replaced the temporary AdHoc Committee in July 2017.*
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.

Chairman I: *Independent* E: *Executive*

Global Business | Engineering & Technology | Manufacturing & Production | Aerospace Industry | Finance & Audit | Geopolitical Economics | Defence Industry | Information & Data Management | Asia

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

(ii) Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors in 2017

Denis Ranque

66 years old

Director since 2013, re-elected in 2017

Independent

Curriculum Vitae

Denis Ranque began his career at the French Ministry for Industry, where he held various positions in the energy sector, before joining the Thomson group in 1983 as Planning Director. The following year, he moved to the electron tubes division, first as Director of space business, then, from 1986, as Director of the division's microwave tubes department. Two years later, the electron tubes division became the affiliate Thomson Tubes Electroniques, and Denis Ranque took over as Chief Executive of this subsidiary in 1989. In April 1992, he was appointed Chairman and CEO of Thomson Sintra Activités Sous-marines. Four years later, he became CEO of Thomson Marconi Sonar, the sonar systems joint venture set up by Thomson-CSF and GEC-Marconi. In January 1998, Denis Ranque was appointed Chairman and Chief Executive Officer of the Thomson-CSF group, now called Thales. He resigned from this position in May 2009, as a consequence of a change in shareholding. From February 2010 to June 2012 he has been Non-Executive Chairman of Technicolor. Since October 2001, he has also been Chairman of the Board of the École des Mines ParisTech, and since September 2002, Chairman of the Cercle de l'Industrie, an association which unites France's biggest industrial companies; both mandates ended in June 2012. He is member of the Boards of directors of Saint-Gobain and CMA-CGM. From 2013 to 2017, he chaired The Haut Comité de Gouvernement d'Entreprise, the independent body put in place by the French Code of corporate governance for monitoring and encouraging progress in this field. From2014 to 2017 he has also been co-Chairman of La Fabrique de l'industrie, a think tank dedicated to industry. Since 2014 he is the Chairman of the Fondation de l'École Polytechnique and a member of the French Academy for Technologies ("Académie des Technologies"). Denis Ranque, born 1952, is a graduate of France's École Polytechnique and the Corps des Mines.

Current Mandates:

- Chairman of the Board of Directors of Airbus SE;
- Member of the Board of Directors of Saint Gobain;
- Member of the Board of Directors of CMA-CGM;
- President of the Board of Foundation de l'École Polytechnique.

Former mandates for the last five years:

- Member of the Board of Directors of Scilab Enterprise SAS;
- President of the French Haut Comité de Gouvernement d'Entreprise;
- Co-Chairman of the Board of Directors of La Fabrique de l'industrie.

Ralph Dozier Crosby, JR.

70 years old

Director since 2013, Re-elected in 2017

Independent

Curriculum Vitae

Ralph Crosby was Member of the Executive Committee of EADS from 2009-2012 and served as Chairman and CEO of EADS North America from 2002-2009. He presently serves as an Independent Director of American Electric Power headquartered in Columbus, Ohio, where he chairs the Human Resources Committee and Serco, headquartered in London, United Kingdom. Furthermore, Mr Crosby serves on the Board of Directors, and Executive Committee of the Atlantic Council of the United States. Prior to joining EADS, Mr Crosby was an Executive with Northrop Grumman Corporation, where he had served as a Member of the Corporate Policy Council with positions including President of the Integrated Systems Sector, Corporate Vice President and General Manager of the company's Commercial Aircraft Division and Corporate Vice President and General Manager of the B-2 Division. Prior to his industry career, Mr Crosby served as an officer in the U.S. Army, where his last military assignment was as military staff assistant to the Vice President of the United States. Mr Crosby is a graduate of the US Military Academy at West Point, and holds Master's degrees from Harvard University, and the University of Geneva, Switzerland. He is the recipient of the James Forrestal Award from the National Defense Industrial Association, and has been awarded Chevalier of the Legion d'Honneur of France.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors (Supervisory Board) of American Electric Power Corporation;
- Member of the Board of Directors and of the Executive Committee of the Atlantic Council of the United States.

Former mandates for the last five years:

- Member of the Board of Directors (Supervisory Board) of Ducommun Corporation(resigned June 2013);
- Member of the Board of Directors (Supervisory Board) of Serco Group plc (until June 2017).

(Paul) Lord Drayson

57 years old

Director since 2017

Independent

Curriculum Vitae

Lord Drayson graduated as an engineer and finished his PhD in 1985 at Aston University. In 1987 he became Managing Director of The Lambourn Food Company Limited, a subsidiary of the Trebor Group and, after a management buy-out of the Company in 1989, completed its sale to a third party in 1991. The same year, he founded Genisys Development Limited, a consultancy company for new products development and management. In 1993, he co-founded PowderJect Pharmaceuticals Plc and led its business as Chairman and CEO until it was sold to Chiron Corporation, a US company, in 2003. He co-founded Drayson Racing Technologies LLP in 2007 and, in 2014 he set up Drayson Technologies Ltd, an Internet of Things platform company of which he currently is the co-founder, Chairman and CEO.

Lord Drayson was also elected chairman of the U.K. BioIndustry Association in 2001 and was appointed to the House of Lords and a Member of the Science and Technology Committee of the House of Lords in 2004. He was then appointed Parliamentary under Secretary of State for Defence Procurement in 2005 and became Minister of State for Defence Equipment & Support in 2006 and Minister of State for Science & Innovation in 2008.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Chairman and CEO of Drayson Technologies Ltd;
- Science Entrepreneur in Residence of Magdalen College, Oxford;
- Supernumerary Fellow of St. John's College, Oxford;
- Member of Project of the "Oxfordshire Innovation Engine" Project;
- Member of Her Majesty's Privy Council;
- Member of House of Lords;
- Co-founder and Trustee of the Drayson Foundation.

Former mandates for the last five years:

- Scientific Advisor Formula E Championship (until January 2013);
- Co-founder and Managing Partner Drayson Racing Technologies LLP (until April 2014);
- President of the Motorsports Industry Association (until October 2015);
- Non-Executive Director and Board Member of the Royal Navy (until November 2017);
- Trustee and External Member of Council at University of Oxford (until December 2017);
- Chairman of the Executive Committee at OUC (Oxford University Clinic) Centres of Excellence LLP (until December 2017).

Thomas Enders

59 years old

Director since 2012, last re-elected in 2016

Executive

Curriculum Vitae

Dr. Thomas ("Tom") Enders was appointed Chief Executive Officer (CEO) of Airbus SE, on 1 June 2012, after having been CEO of the Airbus Commercial Aircraft Division since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence Division from 2000 to 2005. He has been a member of the Executive Committee of Airbus since its creation in 2000.

Prior to joining the aerospace industry in 1991, Enders worked, inter alia, as a Member of the "Planungsstab" of the German Minister of Defence and in various Foreign Policy think tanks. He studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles.

In 2014, Enders joined the Advisory Council of the Munich Security Conference as well as the Senate of the Max-Planck-Gesellschaft. He is patron of the German Mayday Foundation which supports airmen, women and their families in times of need.

Tom Enders is a member of the BDI Board (German Industry Association) since 2009, the Governing Board of HSBC Trinkhaus since 2012, the Joint Advisory Council of Allianz SE since 2013 and the Supervisory Board of Linde AG since 2017.

Current Mandates:

- Chief Executive Officer of Airbus SE;
- Member of the Board of Directors of Airbus SE;
- Member of the Executive Committee of Airbus SE;
- Chairman of the Shareholder Board of Airbus SAS;
- Chairman of the Supervisory Board of Airbus Helicopters SAS;
- Chairman of the Supervisory Board of Airbus DS Holding B.V.;
- Chairman of the Supervisory Board of Airbus Defence and Space Deutschland GmbH;
- Member of the Board of Directors of BDI (Federation of German Industry);
- Member of the Governing Board of HSBC Trinkhaus;
- Member of the International Advisory Board of Atlantic Council of the US;
- Member of the Joint Advisory Council of Allianz SE;
- Member of the Board of Directors of WORLDVU Satellites Ltd. (OneWeb);
- Member of the Supervisory Board of Linde AG;
- Member of the Advisory Counsel of EDB.

Former mandates for the last five years:

- Chairman of the Advisory Council for Aeronautics Research and Innovation in Europe (ACARE) (until June 2013).

4

Catherine Guillouard

53 years old

Director since 2016

Independent

Curriculum Vitae

Catherine Guillouard began her career in 1993 at the Ministry of Economy in the French Treasury working for the department in charge of the Africa – CFA zone and later in the Banking Affairs Department. She joined Air France in 1997 as IPO Senior Project Manager. She was subsequently appointed Deputy Vice-President Finance Controlling in 1999, Senior Vice-President of Flight Operations in 2001, Senior Vice-President of Human Resources and Change Management in 2003 and Senior Vice-President of Finance in 2005. In September 2007, she joined Eutelsat as Chief Financial Officer and member of the Group Executive Committee. Catherine joined Rexel in April 2013 as Chief Financial Officer and Group Senior Vice-President. Between May 2014 and February 2017 she has been Deputy Chief Executive Officer of Rexel. Catherine Guillouard, born in 1965, is a graduate of the Institute of Political Studies of Paris and the École Nationale d'Administration and she has a PhD of European laws (Panthéon-Sorbonne).

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of ENGIE;
- Chief Executive Officer of RATP.

Former mandates for the last five years:

- Deputy Chief Executive Officer of Rexel (until February 2017);
- Independent Member of the Board of Directors of Technicolor (until August 2013);
- Independent Member of the Board of Directors of ADP (until September 2013).

Hans-Peter Keitel

70 years old

Director since 2013, re-elected in 2016

Independent

Curriculum Vitae

Hans-Peter Keitel served as President of the Federation of German Industries (BDI) from 2009 to 2012. Prior to this he served nearly 20 years at Hochtief – first as Director and Board member for International Business and subsequently from 1992 to 2007 as Chief Executive Officer. From 1992 until 1999 he was Member of the Executive Board of Hochtief's mother company, RWE AG. He started his career in 1975 at Lahmeyer International as a technical advisor and project manager being involved in large scale global infrastructure projects in over 20 countries. He also advised the arranging banks of the Channel Tunnel Consortium. Mr Keitel graduated from the Universities of Stuttgart and Munich in Construction Engineering and Economics and has received a PhD in Engineering from the University of Munich.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Supervisory Board of RWE AG;
- Chairman of the Supervisory Board and the Shareholders Committee of Voith KGaA;
- Member of the Supervisory Board of ThyssenKrupp AG;
- Deputy Chairman of the Supervisory Board of National-Bank AG.

Former mandates for the last five years:

- Member of the Supervisory Board of Deutsche Messe AG (until 2013).

Hermann-Josef Lamberti

62 years old

Director since 2007, last re-elected in 2017

Independent

Hermann-Josef Lamberti was Member of the Management Board of Deutsche Bank AG from 1999 until 2012 and operated as the bank's Chief Operating Officer. As COO he had global responsibility for Human Resources, Information Technology, Operations and Process Management, Building and Facilities Management as well as Purchasing. He joined Deutsche Bank in Frankfurt in 1998 as Executive Vice President. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. Mr Lamberti started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. He studied Business Administration at the Universities of Cologne and Dublin, and graduated with a Master's degree.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften;
- Member of the Board of Trustees of Frankfurt Institute for Advanced Studies (FIAS) of Goethe-Universität;
- Member of the Supervisory Board of ING Group N.V.;
- Senior Business Advisor of Advent International GmbH;
- Owner / Managing Director of Frankfurt Technology Management GmbH;
- Chairman of the Supervisory Board of Addiko Bank AG.

Former mandates for the last five years:

- Member of the Board of LDM – Lefdal Data Mine, AS, Maloy, Norway (until December 2017);
- Member of the Board of Stonebranch INC., Alpharetta, Georgia, USA (until June 2017);
- Member of the Supervisory Board Open-Xchange AG (until June 2016);
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal (until December 2014);
- Member of the Managing Committee of Institut für Wirtschaftsinformatik der HSG Universität St. Gallen (until December 2013);
- Member of the Board of Trustees of Frankfurt International School e.V (until December 2013);
- Member of the University Council of University of Cologne (until June 2013);
- Member of the Steering Committee and of the Federal Committee Wirtschaftsrat der CDU e.V. (until June 2013);
- Member of the Supervisory Board of Carl Zeiss AG (until March 2013);

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María Amparo Moraleda Martínez

53 years old

Director since 2015

Independent

Curriculum Vitae

Amparo Moraleda graduated as an industrial engineer from the ICAI (Escuela Técnica Superior de Ingeniería Industrial) Madrid and holdsa PDG from IESE Business School in Madrid. Between January 2009 and February 2012, she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. Previously, she served as General Manager of IBM Spain and Portugal (2001-2009). In 2005 her area of responsibility was extended to encompass Greece, Israel and Turkey as well. Between 2000 and 2001, she was executive assistant to the chairman and CEO of IBM Corporation. From 1998 to 2000, Ms Moraleda was General Manager of INSA (a subsidiary of IBM Global Services). From 1995 to 1997, she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional and management positions at IBM España. Ms Moraleda is also a member of various boards and trusts of different institutions and bodies. She is member of the academy of "Ciencias Sociales y del Medio Ambiente" of Andalucía (Spain), member of the board of trustees of MD Anderson Cancer Centre in Madrid, CurArte Foundation in Madrid, member of the International Advisory Board of Instituto de Empresa Business School and member of the Board of the global alumni association of IESE Business School.

In May 2017 she was inducted as a member of the Spanish Royal Academy of Economic and Financial Sciences.

Current Mandates:

- Member of the Board of Directors of AirbusSE;
- Member of the Board of Directors of Vodafone plc;
- Member of the Board of Directors of Solvay SA;
- Member of the Board of Directors of Caixabank;
- Member of the Supervisory Board of CSIC (Consejo Superior d'Investigaciones Cientificas);
- Member of the Advisory Board of SAP Spain;
- Member of the Advisory Board of Spencer Stuart Spain.

Former mandates for the last five years:

- Member of the Advisory Board of KPMG Spain (until June 2017);
- Member of the Board of Directors of Faurecia SA (until October 2017);
- Member of the Board of Directors of Meliá Hotels International SA (until June 2015);
- Member of the Board of Directors of Alstom SA (until June 2015);
- Member of the Board of Corporación Financiera Alba SA (until May 2015).

Claudia Nemat

49 years old

Director since 2016

Independent

Curriculum Vitae

Born in 1968, Claudia Nemat has been a member of the Board of Management of Deutsche Telekom AG since October 2011. Mrs. Nemat led the European business of DT until the end of 2016. Since January 2017 she has led the new Board area Technology & Innovation.

Before joining Deutsche Telekom AG, Claudia Nemat spent 17 years working for McKinsey & Company where she was elected Partner in 2000, and Senior Partner ("Director") in 2006. Among other responsibilities during her time there, she was Co-leader of the global Technology Sector and led the unit for Europe, the Middle East and Africa.

Her main areas of expertise include large-scale strategic and operational turnaround and transformation programs, digital transformation and industrial politics. Mrs. Nemat has worked in numerous European countries as well as North and South America. She was a member of the Supervisory Board of Lanxess AG from 2013 until 2016. Mrs. Nemat has been a member of the Board of Directors of Airbus and a member of the Supervisory Board of Airbus Defence and Space GmbH since May 2016.

Claudia Nemat studied physics at University of Cologne, where she has also taught at the department of Physics and Mathematics.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of Airbus Defence and Space GmbH;
- Member of the Management Board of Deutsche Telekom AG;
- Chairperson of the Supervisory Board of Deutsche Telekom IT GmbH (related to Deutsche Telekom);
- Member of the University Council of University of Cologne.

Former mandates for the last five years:

- Chairperson and Member of the Board of Buyln (related to Deutsche Telekom) (until January 2017);
- Member of the Board of OTE (related to Deutsche Telekom) (until January 2017);
- Member of the Supervisory Board of LANXESS AG (until May 2016);
- Director of EE Limited (UK) (related to Deutsche Telekom) (until 2014).

Sir John Parker

75 years old

Director since 2007, last re-elected in 2016

Independent

Curriculum Vitae

Sir John Parker is Chairman of Anglo American PLC, Chairman of Pennon PLC, Non- Executive Director of Carnival PLC and Carnival Corporation. He has completed his term 2011-2014 as President of the Royal Academy of Engineering. He stepped down as Chairman of National Grid PLC in December 2011. His career has spanned the engineering, shipbuilding and defence industries, with some 25 years' experience as CEO including Harland & Wolff and the Babcock International Group. He also chaired the Court of the Bank of England between 2004 and 2009. Sir John Parker studied Naval Architecture and Mechanical Engineering at the College of Technology, Queens University, Belfast.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Director of Carnival PLC and Carnival Corporation;
- Chairman Anglo American PLC;
- Chairman Pennon Group PLC;
- Director of White Ensign Association Ltd.;
- Visiting fellow of the University of Oxford.

Former mandates for the last five years:

- Deputy Chairman of D.P. World (Dubai) (until July 2015);
- President of the Royal Academy of Engineering (until September 2014).

Carlos Tavares

59 years old

Director since 2016

Independent

Curriculum Vitae

Carlos Tavares is a graduate of École Centrale Paris. He held a number of different positions with the Renault Group from 1981 to 2004 before joining Nissan. In 2009, he was appointed Executive Vice President, Chairman of the Management Committee Americas and President of Nissan North America. He was named Group Chief Operating Officer of Renault in 2011. Since 1 January 2014, he has joined the Managing Board of PSA Peugeot Citroën. He was named Chairman of the Managing Board since 31 March 2014.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Director of Banque PSA Finance;
- Director of Faurecia SA;
- Chairman of the Board of Directors of Peugeot Citroën Automobiles SA;
- Member of the Board of Directors of Total Group.

Former mandates for the last five years:

- Manager of Bed&Breakfast in Lisbon (until March 2015);
- Director of PCMA Holding B.V. (until October 2014);
- Member of the Managing Board of Nissan Alliance (until August 2013);
- Chief Operating Officer of Renault (until August 2013);
- Director of Renault Nissan B.V. (until August 2013);
- Director of AvtoVAZ (until August 2013);
- Director of Alpine – Caterham (until August 2013).

Jean-Claude Trichet

75 years old

Director since 2012, last re-elected in 2016

Independent

Curriculum Vitae

Jean-Claude Trichet was President of the European Central Bank, of the European Systemic Risk Board and of the Global Economy meeting of Central Bank Governors in Basel until the end of 2011. Previously, he was in charge of the French Treasury for six years and was Governor of Banque de France for ten years. Earlier in his career, he held positions within the French Inspection Générale des Finances, as well as the Treasury department, and was advisor to the French President for microeconomics, energy, industry and research (1978-1981). Mr Trichet graduated from the École des Mines de Nancy, the Institut d'Études Politiques de Paris and the University of Paris in Economics, is a Doctor Honoris Causa of several universities and an alumnus of the École Nationale d'Administration.

Current Mandates:

- Member of the Board of Directors of Airbus SE;
- President of JCT Conseil, Paris;
- Honorary Governor of Banque de France;
- Honorary Chairman of the G30, Washington D.C. (non-profit organisation);
- Chairman of the Board of Directors of the BRUEGEL Institute, Brussels (non-profit organisation);
- European Chairman of the Trilateral Commission (non-profit organisation).

Former mandates for the last five years:

- Chairman and CEO of G30, Washington D.C. (non-profit organisation) (until December 2016);
- President of SOGEPA -Société de Gestion de Participations Aéronautiques- (until 2013).

Independent Directors

The Independent Directors appointed pursuant to the criteria of independence set out above are Denis Ranque, Ralph Crosby, Catherine Guillouard (from AGM 2016), Hans-Peter Keitel, Hermann-Josef Lamberti, Lakshmi N. Mittal, Maria Amparo Moraleda Martinez, Claudia Nemat (from AGM 2016), Sir John Parker, Carlos Tavares (from AGM 2016) and Jean-Claude Trichet.

Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as Director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a Member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

(iii) Operation of the Board of Directors in 2017

Board of Directors Meetings

The Board of Directors met nine times during 2017 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational plans. The average attendance rate at these meetings was 91%.

Throughout 2017, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes of the commercial aircraft business, Defence and Space as well as Helicopters. This comprised *inter alia* the remedy of the technical issues hampering the ramp-up of the A400M and the A320neo programmes as well as the efforts to restore the market of the Super Puma helicopter programme after the safety issues due to accidents. In addition, the development of the A330neo, the ramp-up and extension of the A350XWB and the future of the A380 programmes were closely monitored; in the Defence and Space area this comprised the development of unmanned aerial systems as well as the space business' next generation launcher Ariane 6 and the OneWeb satellites constellation programme.

Last year's off-site Board meeting in September in Hamburg was dedicated to 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 and A350 subassembly facilities as well as the A350 Customer Definition Center and the Center of Applied Aeronautical Research.

In 2017, the Board of Directors continued to support the digitalisation initiative, which was started in 2015 to enhance Airbus ability to identify and capitalise on innovative and transformational technologies and business models. The reorganisation and refocusing of the CTO department on its fundamental tasks of guiding and coordinating overall activities, developing group-wide roadmaps / demonstrators as well as technical expertise and blue-sky research was successfully pursued and delivered already promising results.

The merger of Airbus Group and Airbus brought an overhaul of the corporate set-up, simplifying the Company's governance, eliminating redundancies and creating further efficiencies, while at the same time driving further integration of the entire group.

Moreover, the Board of Directors reviewed Airbus' financial results and forecasts and put specific emphasis on Enterprise Risk Management supported by a strengthened internal audit organisation. The corporate social responsibility initiatives were further focused and renamed "Responsibility and Sustainability" (R&S).

A substantial share of the Board activities was dedicated to compliance matters. Among other areas, emphasis was put on further strengthening the Airbus compliance programme, building on the "Business Development Support Initiative" which was started in 2015. The comprehensive training programme set up last year continued to further raise awareness, to reduce risks and more generally to improve the culture of integrity of Airbus. As a consequence of the SFO/PNF investigations, Airbus has transformed the Ad-Hoc Committee that dealt initially with the investigations into a regular Ethics and Compliance Committee with a wider remit to oversee ethics and compliance. The Ethics and Compliance Committee will continue to closely monitor the investigations in view to showing the authorities the committee's thorough and independent approach. In addition, the "Independent Compliance Review Panel", composed of renowned international experts, was introduced to oversee and benchmark the respective activities.

The Board of Directors also decided to perform an external evaluation of the top two tiers of the Executive management in order to reinforce its appreciation of the Company's strength in succession planning and ensure that the right development plans are in place. In particular, the Board has launched an in-depth succession planning review for the top management of the Company; following the first announcements made in December 2017, this process will continue in 2018 with the objective of being ready for the AGM to be held in 2019, given the CEO's announcement that he does not intend to seek extension of his mandate beyond this date.

Board Evaluation 2017

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 2017 marked the beginning of a new three-year cycle. In September 2017, the Board of Directors therefore carried out an external evaluation based on a questionnaire issued by a third-party expert and circulated to each Board Member.

The Board of Directors was satisfied overall with the continuous progress made during the first three years Board review cycle and has decided to start a new review cycle with the support of Heidrick & Struggles as the third-party expert.

Each one of the Board Members had an in-person discussion with the third-party expert to cover governance, effectiveness and composition of the Board of Directors and the committees, areas of expertise and working process of the Board of Directors, relationships between the members of the Board of Directors, the Chairman, the management, shareholders and stakeholders as well as scope and composition of topics and preparation for the future.

Following the last Board review, the Board of Directors spent additional time on risk management, strategy and other topics, such as benchmarking on competitors, products and digital transformation. Notable progress has also been made in discussions on strategy, risk management and digital transformation, with strong leadership coming from the CEO and the executive team.

In the 2017 evaluation, the Board Members confirmed the need to continue working hard to reinforce cohesiveness as well as team work within the Board and its Committees, in particular in challenging times and under significant pressure. Some areas of improvement require more attention from the Board such as: corporate and social responsibility, employee engagement, industrial strategy and operations efficiency and succession planning.

Board Members notably valued balance of powers, open debates within the Board of Directors, positive contribution of the Board Committees, creation and performance of the new Ethics and Compliance Committee and constructive and challenging interactions between the Board of Directors and the management, while highlighting that there remains room for further progress in this area. The Board of Directors has also identified ways to improve effectiveness in the preparation of Board meetings, as well as the quality and level of information provided to the Board Members prior to and between Board meetings. The induction programme for new Board Members and off-site Board meetings are also appreciated.

The Board will increase efforts to evaluate the performance and competitiveness of the Company, increase anticipation in a challenging environment and prepare for the future, notably from a leadership standpoint.

In addition, the Board Members highlighted the necessity to continue with the process of the staggering Board principle, decided at the 2016 Annual General Meeting. This is intended to further develop the diversity of expertise, gender and nationalities within the Board of Directors.

4.1.1.2 Board Committees

a) The Audit Committee

The Audit Committee has four (4) Members and is chaired by an Independent Director who is not the Chairman of the Board of Directors or a current or former Executive Director of the Company. The Chaiman of the Audit Committee shall be, and the other members of the Audit Committee may be, financial experts with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

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 accounts, 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 the ethics and compliance organisation. For further details in this regard, see "— 4.1.3.: 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 Chief Financial Officer ("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 and Compliance Officer are requested to report to the Audit Committee on a regular basis.

In 2017, it met six times with an average attendance rate of 83%, it discussed all of the above-described items during the meetings and it fully performed all of the above-described duties.

b) 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. The E&C Committee replaced a temporary Ad-Hoc Committee that was created in 2016 in respect of similar matters. 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 for an effective ethics and compliance governance (including all associated internal policies, procedures and controls), which 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 has five (5) Members and is chaired by any of its members. Each member should be an Independent Director. Both the chairman of the Audit Committee and the chairman of the RNGC is a member of the E&C Committee.

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 2017, the E&C Committee and its predecessor, the Ad-Hoc Committee, met in total ten times with an average attendance rate of 85%. All of the above described items were been discussed during the meetings. Both, the E&C Committee and the temporary Ad-Hoc Committee fully performed all the above-described duties.

c) The Remuneration, Nomination and Governance Committee

The RNGC has four (4) Members, with geographic diversity. Each Member of the RNGC is an Independent Director. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the French State Security Agreement. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the German State Security Agreement. The Board of Directors, by a Simple Majority (defined below), appoints the chair of the RNGC, who may not be any of the following:

- the Chairman of the Board of Directors;
- a current or former Executive Director of the Company;
- a Non-Executive Director who is an Executive Director with another listed company; or
- a Director appointed to the Board of Directors on the basis of the French State Security Agreement or the German State Security Agreement.

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 top talents, 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 2017, it met nine times with an attendance rate of 92%, it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.1.3 The Executive Committee

a) Nomination and Composition

The Executive Committee of Airbus (the "**Executive Committee**") is chaired by the Chief Executive Officer and its members are appointed on the basis of their performance of their individual responsibilities as well as their respective contribution to the overall interest of Airbus.

The CEO proposes all of the Members of 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 the four Member States of the EU where these main industrial centres are located); and

- at least 2/3 of the Members of the Executive Committee, including the CEO and the Chief Financial Officer ("CFO"), being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee as proposed by the CEO.

b) Role of the 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 seeks regularly advice from its 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.

c) The Executive Committee in 2017

The Executive Committee comprises the heads of the Divisions and key functions of the Company, and is dedicated to exchange and align on important matters such as:

- appointment by the heads of the Airbus Divisions and functions of their management teams;
- major investments/divestments;
- settling up and control of the implementation of the strategy for Airbus' businesses;
- Airbus policy matters and management and organisational structure of the business;
- definition of the Company's financial performance and business performance strategy and targets;
- 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 respective topic, he usually asks the responsible Executive Committee Member to join him in the Board for presenting the financials (CFO), programme/product topics (Division head), HR matters (CHRO) or any other topic where a specialist is needed. This approach allows that the Board Members get to know the Executive Committee Members equips them to make judgements when it comes to decisions about key positions.

The Executive Committee met four times during 2017.

COMPOSITION OF THE EXECUTIVE COMMITTEE AT THE END OF 2017

Name	Start of term	Principal Occupation
Tom Enders	2012	Chief Executive Officer Airbus
Fernando Alonso	2015	Head of Military Aircraft Airbus Defence and Space
Thierry Baril	2012	Chief Human Resources Officer Airbus & Airbus Commercial Aircraft
Fabrice Brégier	2012	Chief Operating Officer Airbus and President Airbus Commercial Aircraft
Guillaume Faury	2013	Chief Executive Officer Airbus Helicopters
John Harrison	2015	Group General Counsel Airbus
Dirk Hoke	2016	Chief Executive Officer Airbus Defence and Space
John Leahy	2012	Chief Operating Officer – Customers Airbus Commercial Aircraft
Allan McArtor	2014	Chief Executive Officer Airbus North America
Klaus Richter	2015	Chief Procurement Officer Airbus & Airbus Commercial Aircraft
Harald Wilhelm	2012	Chief Financial Officer Airbus
Tom Williams	2015	Chief Operating Officer Airbus Commercial Aircraft

Note: Status as of 1 January 2018. The professional address of all Members of the Executive Committee for any matter relating to Airbus is Mendelweg 30, 2333 CS Leiden, the Netherlands.

Tom Enders – Chief Executive Officer Airbus

(see above under "— 4.1.1.1 Board of Directors")

Fernando Alonso – Head of Military Aircraft Airbus Defence and Space

Fernando Alonso was named as Head of Military Aircraft, Airbus Defence and Space on 29 January 2015 and took up the position on 1 March 2015. He is a member of the Airbus Defence and Space Executive Committee and on 1 July 2015 was appointed to the Executive Committee. Previously he was Senior Vice President Flight and Integration Tests, Head of Flight Operations since September 2007, and, before that, Vice President Flight Test Division since February 2002.

Fernando Alonso began his professional career with McDonnell Douglas in Long Beach, California in 1979 as a performance engineer in the Company's flight test department. Three years later, he joined Airbus as a performance engineer in the flight division.

While remaining with Airbus, he graduated as a flight test engineer at l'École du Personnel Navigant d'Essais et de Réception (EPNER) in 1990, and then became a flight test engineer responsible for aircraft performance of the A330, A340 and A321.

Between 1995 and 2002, Fernando was responsible for the development of flight controls and handling qualities during the flight test programmes of the A319, A330-200, A340-500 and A340-600. Subsequently, he was deeply involved in the organisation and coordination of the flight test campaign of the A380.

During a career at Airbus that has spanned more than 30 years, Fernando has accumulated more than 4,300 hours of flight tests. He was a flight test engineer on the maiden flights of A340-200 in 1992, the A319 in 1997, the A380 in April 2005 and most recently the A350 XWB in June 2013.

Born in Madrid, Spain in 1956, he obtained a degree from the Polytechnic University of Aeronautical Engineers in Madrid in 1979. He is a keen skier and tennis player. He and his family are also actively involved in the French charity Pour un Sourire d'Enfant, fundraising and organising summer camps for underprivileged children who live in a municipal dump in Phnom Penh, Cambodia.

Thierry Baril –Chief Human Resources Officer Airbus & Airbus Commercial Aircraft

Thierry Baril was appointed Chief Human Resources Officer of Airbus on 1 June 2012. In addition, Baril continues to serve as Airbus Commercial Aircraft Chief Human Resources Officer.

Thierry Baril joined Airbus Commercial Aircraft in 2007 as Executive Vice President, Human Resources, and Member of the Airbus Commercial Aircraft Executive Committee, with responsibility for defining and implementing a company-wide Human Resources strategy, enhancing integration and employee engagement. He oversaw the development of key skills and competences to support business growth and greater internal mobility. One of his main achievements was the transformation of the Company in the areas of leadership culture and diversity, having played a key role in the implementation of "Power8" and Airbus' internationalisation strategy.

Prior to this, Thierry Baril was Executive Vice President Human Resources at Eurocopter – now Airbus Helicopters – and member of the Eurocopter Executive Committee from January 2003. In this position, Baril managed the Company's Human Resources activities globally, including the implementation of Human Resources policies across Eurocopter's European sites and its 15 subsidiaries worldwide. He was instrumental in the implementation of "Vital", a programme which transformed Eurocopter as a business.

Thierry Baril started his career in 1988 as Deputy Human Resources Director at Boccard SA, and transferred to Laborde & Kupfer-Repelec, a subsidiary of GEC ALSTHOM, as Human Resources Manager in 1991.

From 1995, Thierry Baril held roles as Human Resources Director of the Alstom Energy Belfort site and Vice President of Human Resources of the Alstom Energy Group.

Following on from his experience at Alstom Energy, in 1998 Thierry Baril became Managing Director of Human Resources for Europe for GE (General Electric) at their Belfort Headquarters, followed by Vice President of Human Resources at Alcatel Space's Headquarters in Toulouse from 2000.

Fabrice Brégier – Chief Operating Officer Airbus and President Airbus Commercial Aircraft

Fabrice Brégier was appointed President of Airbus Commercial Aircraft & Chief Operating Officer Airbus on 1 January 2017. He previously was the President and Chief Executive Officer of the Airbus Commercial Aircraft Division since June 2012. In 2017, Mr Brégier was a member of the Executive Committee.

He started his career in 1983 as a test engineer at the Creys-Malville nuclear power station, becoming sales manager for Péchiney (Japan) in 1984. In 1986 he joined the DRIRE Alsace (Ministry of Industry) and was then appointed Director of Economic and Financial Affairs with the Ministry of Agriculture in 1989.

Having been Advisor to several French Ministers, Mr. Brégier joined Matra Défense in 1993 as Chairman of the Apache MAW GIE (co-operation with Dasa) and Chairman of the Eurodrone GIE (with STN-Atlas). In 1996 he was appointed Director of Stand-Off activities (Apache, Scalp EG/Storm Shadow) in what had become Matra BAe Dynamics.

In 1998, Mr. Brégier became CEO of Matra BAe Dynamics. He was appointed CEO of MBDA, the leading European missile systems company that was created in 2001 by Aerospatiale Matra, British Aerospace and Finmeccanica. In 2003, Fabrice Brégier became President and CEO of the Eurocopter Group and was appointed Head of EADS' Eurocopter Division in June 2005.

Mr. Brégier was appointed Airbus Chief Operating Officer (COO) in October 2006. As a Member of the EADS Executive Committee, he was commissioned by Louis Gallois to improve the overall operational performance of the Group. His responsibilities included the Company's wide-ranging restructuring and change programme (Power8), the Executive Committee functions Operations, Engineering and Procurement, and the A350 XWB programme.

Mr. Brégier graduated from the École Polytechnique in 1980 and from the École des Mines. He was born in 1961 in Dijon, France.

Guillaume Faury – CEO Airbus Helicopters

Guillaume Faury became Chief Executive Officer (CEO) of Airbus Helicopters – formerly Eurocopter – on 1 January 2014 and is a member of the Executive Committee.

Prior to assuming this position, he had been CEO of Eurocopter since May 2013. He joined Eurocopter from Peugeot S.A., where he had served as Executive Vice President for Research and Development since 2010 and as a Member of the Managing Board since 2009.

Guillaume Faury, a licensed flight test engineer, served in various senior management functions at Eurocopter from 1998 to 2008 before joining Peugeot S.A. He was Chief Engineer for the EC225/725 programme, Head of the Heavy Helicopter Flight Test department, Executive Vice President for Commercial Programmes and, ultimately, Executive Vice President for Research & Development. Guillaume Faury also was a member of the Eurocopter Executive Committee.

He started his professional career with the French Defence Procurement Agency DGA, where he was in charge of Tiger helicopter flight test activities at the Istres Flight Test Centre.

Guillaume Faury, born in February 1968, holds an engineering degree from the École Polytechnique in Paris as well as an aeronautics and engineering degree from the École Nationale Supérieure de l'Aéronautique et de l'Espace in Toulouse.

Dirk Hoke – CEO Airbus Defence and Space

Dirk Hoke is the designated Chief Executive Officer (CEO) of Airbus Defence and Space as of 1 April 2016. He started on 1 January 2016 as Deputy CEO. He is a member of the Executive Committee.

Dirk Hoke joined Airbus from Siemens, where he had been CEO of the Large Drives Business Unit since 2014. He has held various executive-level positions at Siemens since becoming CEO of the Cluster Western & Central Africa in 2008. His career spans 21 years and five continents.

In 1994, Dirk Hoke began his professional career as R&D Engineer for process and software analysis in the automotive industry at Renault in Paris. In 1996, he joined Siemens through an international trainee programme with assignments in Germany, Argentina and Austria. He then held various management posts in the Transportation Systems Division based in Germany. He relocated to Sacramento, USA, as Head of the Transportation Systems restructuring team in 2001.

Dirk Hoke continued his professional career at Siemens as General Manager for the Transrapid Propulsion and Power Supply Subdivision from 2002 to 2005 including the Shanghai "Maglev" project. He was then promoted to President of Siemens Transportation Systems China and made Siemens the largest foreign railway supplier in the country.

In 2008, Dirk Hoke moved to Morocco to lead Siemens' Africa activities. He returned to Germany in 2011 to become the Division CEO of Industrial Solutions with the special task to build up the services business for the Industry Sector. Afterwards, he was called upon to restructure the Large Drives Business Unit.

Dirk Hoke holds a degree in mechanical engineering from the Technical University of Brunswick, Germany. In 2010, Dirk Hoke became a member of the Young Global Leader Class of the World Economic Forum and in 2013, member of the Baden Baden Entrepreneur Talks.

Born on 2 April 1969, Dirk Hoke is married with two children.

John Harrison – General Counsel Airbus

John Harrison has been General Counsel since June 2015. Solicitor of the Supreme Court of England & Wales, John Harrison completed his academic studies at the University of McGill, Montréal, Canada. He holds a Bachelor LLB (Hons) and Masters LLM of Laws degree.

John Harrison began his career in 1991 at the international law firm Clifford Chance, working consecutively in their London, New York and Paris offices.

He joined Airbus then Technip S.A. where he served as Group General Counsel and Member of the Executive Committee from 2007-2015.

Prior to joining Technip, Mr Harrison fulfilled various senior legal positions in Airbus companies over a ten year period culminating his tenure from 2003-2007 as General Counsel of the EADS Defence Division.

John Harrison was born on 12 July 1967 in the United Kingdom.

John Leahy – Chief Operating Officer-Customers Airbus Commercial Aircraft

John Leahy was appointed Chief Operating Officer – Customers of Airbus in July 2005 and assumed the same role for Airbus Commercial Aircraft effective from 1 January 2017. He continued his responsibilities as Chief Commercial Officer of the Airbus Commercial Aircraft division, a role he had held since August 1994. His responsibilities covered all commercial activities including sales, marketing, contracts, business transaction control, asset management, leasing, and business development. Leahy was a member of the Airbus Executive Committee in 2017.

One of Leahy's greatest achievements was to raise Airbus' market share from 18% in 1995 to over 50% by the turn of the century, where it has been maintained over the last 14 years. He also led the commercial activities that resulted in the successful launch of Airbus next generation flagship aircraft which set the standards for large aircraft in the 21st century, the A380 and the A350 XWB. Leahy was also a key player in the launch of the A320neo (New Engine Option) family, which has become the fastest selling aircraft programme in aviation history. He was also instrumental in the launch of the A350 XWB family as well as the A330neo.

John Leahy worked for seven years in marketing at Piper Aircraft before joining Airbus North America in January 1985. He became Head of Sales in 1988 and then became President of Airbus North America. Leahy was responsible for the penetration of the strategic North American market, where most major U.S. airlines are now Airbus customers.

John Leahy has an MBA from Syracuse University with concentration in both Finance and Transportation Management and a BA from Fordham University with a dual major in Communications and Philosophy. He is also a licensed multi-engine commercial pilot and a former flight instructor. In March 2012, he received one of France's top civilian awards by being named an Officer of the Légion d'Honneur, for his services to European and French aviation.

Allan McArtor – CEO Airbus North America

Allan McArtor was Chairman of Airbus Americas, Inc. In this leadership role, McArtor enhanced relationships with Airbus' customers, suppliers and government representatives. He was instrumental in providing strategy and vision for Airbus companies throughout the United States, Canada and Latin America. McArtor increased the Company's commercial aviation market share throughout the region and established the A320 Aircraft Assembly Line in Mobile, Alabama.

Throughout his career, McArtor has held a series of leadership and senior management positions in the military, civil and government sectors.

Before joining Airbus, he was founder, chairman and CEO of Legend Airlines, a regional airline based at Dallas Love Field, Texas.

President Ronald Reagan appointed McArtor to serve as the Administrator of the FAA from 1987 to 1989.

McArtor served on the senior management team of Federal Express from 1979 to 1987 and 1989 to 1994 first as Senior Vice President Telecommunications during the development of FedEx's extensive satellite-based digital network, then as Senior Vice President Air Operations for FedEx's global airline.

McArtor was a combat fighter pilot in Vietnam from 1968 to 1969, an Associate Professor of Engineering Mechanics at the Air Force Academy, and a pilot with the U.S. Air Force's Thunderbirds Aerial Demonstration Team.

He is a 1964 graduate of the U.S. Air Force Academy (BSE) and holds a master's degree (MSE) from Arizona State University. He holds an honorary doctorate degree from Christian Brothers University in Memphis, Tennessee, in recognition of his role in establishing the School of Telecommunications and Information Systems.

Klaus Richter – Chief Procurement Officer Airbus & Airbus Commercial Aircraft

Klaus Richter became Chief Procurement Officer for Airbus SE on 1 January 2015. In this function, he is a member of the Executive Committee and the Airbus Executive Committee. In addition, he serves as the Chairman of the Board of Airbus in Germany and leads the supervisory board of Premium AEROTEC Group.

He is in charge of procurement across the entire Airbus Commercial Aircraft organisation, having responsibility for developing strong partnerships with suppliers and ensuring timely delivery of all purchased goods on cost and with the proper quality.

In addition, Richter leads the General Procurement Organisation of Airbus. He coordinates strategic procurement topics, as well as the development and application of procurement processes and tools across the Group. Richter is also responsible for the Airbus Regional Sourcing Offices in the U.S., India and China.

In January 2017, Klaus Richter also assumed the role of the president of the German Aerospace Industries Association (BDLI).

Richter joined Airbus in November 2007 as Executive Vice President Procurement for Airbus. Before joining the Group, Richter was Senior Vice President Materials Purchasing for BMW, based in Munich, Germany. In this position, he was heading all supplier relations for direct materials and equipment across the entire company.

Klaus Richter began his professional career with McKinsey & Company in 1993 as a management consultant for automotive, electronics and aerospace businesses and product development, a role which he retained until he joined the BMW Group in 2003 as Head of Purchasing Strategy for production materials.

Richter graduated from the Technical University of Munich where he obtained a doctorate in mechanical engineering in 1991. After graduation he received a Humboldt scholarship and spent two years as a researcher and teacher at the University of California at Berkeley.

Born in Munich on 29 September 1964, Klaus Richter is married with two children.

Harald Wilhelm – Chief Financial Officer Airbus

Harald Wilhelm has been Chief Financial Officer of Airbus and Airbus Commercial Aircraft since 1 June 2012 and is a member of the Executive Committee.

He has held the role of Airbus Commercial Aircraft CFO since 1 February 2008. Previously, he was Airbus Commercial Aircraft Chief Controlling Officer and deputy to the Chief Financial Officer, a position to which he was appointed on 1 January 2007.

Prior to this, he was Senior Vice President, Airbus Commercial Aircraft Financial Control, a role he held from 2003 to 2006. Wilhelm joined Airbus Commercial Aircraft in 2000 as Senior Vice President, Accounting, Tax and Financial Services.

Before joining Airbus, Wilhelm had been Vice President M&A (mergers and acquisitions) at DaimlerChrysler Aerospace from 1998, where he worked on projects including the integration of Airbus into a single company. Prior to this, he had been Senior Manager M&A at Daimler-Benz Aerospace from 1995 to 1998 and M&A Manager for the Company between 1992 and 1993.

Born in April 1966 in Munich, Wilhelm has a degree in Business Studies from Ludwig Maximilians University in Munich.

Tom Williams – Chief Operating Officer Airbus Commercial Aircraft

Tom Williams was appointed Chief Operating Officer (COO) of Airbus Commercial Aircraft in January 2015. He is responsible for the overall operations including Engineering, Procurement and Supply Chain Management. Tom is a member of the Executive Management Team of Airbus and the Airbus Commercial Aircraft Executive Committee.

Previously Tom was Airbus Commercial Aircraft Executive Vice President Programmes, a position he held from July 2005. His role covered all Airbus aircraft families and as such, he was in charge of ensuring the profitability of the civil programmes, of leading the product policy and the development of new products, as well as ensuring proper delivery to the customers. Before being appointed to this position, he had been Executive Vice President Procurement since February 2004.

After completing an apprenticeship with Rolls-Royce Aero Engines in 1972, Tom went on to carry out increasingly senior roles in a number of UK manufacturing companies.

In 1992 he was appointed Operations Manager for Cummins Engines, looking after all manufacturing at the Company's 1,200-strong Scottish factory. At the start of 1995 he became Manufacturing and Business Group Director for the Sensors activity of Pilkington Optronics – a joint venture with Thomson CSF of France. Focusing initially on the introduction of "lean manufacturing" techniques, he also became involved in integrating Thorn EMI Electro Optics into the business.

Tom joined British Aerospace (now merged with Marconi Electronic Systems to form BAE Systems) in 1997 as Site Director and General Manager at the Prestwick site of the company's Aerostructures division. Two years later he was appointed Operations Director – Internal Supply, within the company's Military Aircraft and Aerostructures Division, then Eurofighter Operations Director with responsibilities that included manufacturing and other business functions at the Warton and Salmesbury sites of BAE Systems.

In November 2000, Tom became Managing Director and General Manager of Airbus UK, a position he held until he became Airbus' Executive Vice President Procurement in 2004.

Tom was born in 1952 in Glasgow. During his apprenticeship he gained an HNC in Production Engineering and in 1988 an MBA from Glasgow University. Married with one daughter, Tom is a keen football supporter and occasional golfer.

Tom received a Commander of the Order of the British Empire (CBE) in January 2011 and was awarded the rank of Knight in the Légion d'Honneur by the Republic of France in December 2015.

Last year, Tom received the Mensforth Manufacturing Medal from the Institute of Engineering and Technology (IET) for his achievements as a world-class production engineer, and was awarded the Honorary Degree of Doctor of Business Administration by the University of the West of England in recognition of his contribution to operations, manufacturing and business.

4.1.2 Dutch Corporate Governance Code, "Comply or Explain"

In accordance with Dutch law and with the provisions of the Dutch Code as amended in 2016, 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 most 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 supports the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture. Airbus already complies with a vast majority of the provisions of the revised Dutch Code.

For the full text of the Dutch Code as well as the New Code, please refer to **www.commissiecorporategovernance.nl**.

For the financial year 2017 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 is 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. Severance pay will 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 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 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. Furthermore, the Company does not encourage non-Executive Directors to own shares.

The Company 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. Pay Ratios

Provision 3.4.1 of the Dutch Code recommends that the remuneration report described in Section 4.2.1 – Remuneration Policy – below should include a description of the pay ratios within Airbus and, if applicable, any changes in these ratios in comparison with the previous financial year.

The Company wants to ensure a transparent and accurate disclosure of information in its remuneration report. At the date of this Registration Document, the Company is not able to disclose the exact pay ratio between the CEO and a representative reference group determined by Airbus for the 2017 financial year or, to the extent relevant, any changes in these ratios in comparison with the 2016 financial year. However, the Company is committed to include this information in its board report for the 2018 financial year.

6. Gender Diversity

The Company strives to comply with composition guidelines which mean the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and 30% men. These percentages are based on those included in a Dutch bill that came into force in 2017 in continuation of previous legislation in force stipulating the same percentages.

With the election of Amparo Moraleda in 2015 and the election of Catherine Guillouard and Claudia Nemat in 2016, the proportion of the female representation on the Board of Directors is at 25% (against 0% five years ago). The Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1.1 above.

4.1.3 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;
- Opportunities.

4.1.3.1 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;
- a 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 a discussion of the main risks to which Airbus is exposed, see "— Risk Factors".

4.1.3.2 ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- the Board of Directors supervises with support of the Audit Committee 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;
- the management at executive levels has the 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 risk and seize opportunities, considering the recommendations of the internal and external auditors.

4.1.3.3 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).

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.
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	**Continuous monitoring and 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.

4.1.3.4 Board Declaration

Based on 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. 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.

Based on the Company's current state of affairs, it is justified that the financial statements have been prepared on a going concern basis. The Board of Directors confirms that to the best of its knowledge 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.

4.1.4 Internal Audit

In accordance with Principle 1.3 of the Dutch Code, Airbus Corporate Audit and Forensic assesses and provides objective assurance on the design and effectiveness of Airbus's risk management, internal controls and governance systems. This covers three areas: risk management processes, both their design and how well they are working; management of those risks classified as "key", including the effectiveness of the controls and other responses to them; and reliable and appropriate assessment of risks and reporting of risk and control status.

Corporate Audit & Forensic engages in the independent and objective corporate assurance activities of internal auditing and forensic investigations. It supports Airbus in improving its operations and accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal controls. The function includes a team of forensic specialists who assist Airbus and the Legal and Compliance function by leading and supporting investigations of compliance allegations.

It is established by direct reporting to the Audit Committee and CEO. Corporate Audit adheres to the Institute of Internal Auditor's Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing as well as relevant policies and procedures of Airbus. Its framework of operation is set out in the Airbus Corporate Audit and Forensic Charter.

4.2 Interests of Directors and Principal Executive Officers

4.2.1 Remuneration Policy

The Company's 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 (which is comprised of non-Executive Directors).

It should be noted that although the Policy relating to Executive 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.

No amendment to the Remuneration Policy (as adopted at the AGM held on 28 April 2016) will be proposed for adoption by the shareholders at the AGM to be held in 2018. The application of the Remuneration Policy in 2017 will be included as a separate agenda item for discussion at the AGM to be held in 2018. To see how the Remuneration Policy was applied in 2017 in respect of the CEO (the only Executive Member of the Board of Directors [1], see "— 4.2.1.3 Implementation of the remuneration policy in 2017: CEO". The cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

To see how the Remuneration Policy was applied in 2017 in respect of the non-Executive Members of the Board of Directors, see "— 4.2.1.4 Implementation of the remuneration policy in 2017: Non-Executive Directors".

4.2.1.1 Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company's remuneration philosophy has the objective of providing remuneration that will attract, retain and motivate high-calibre Executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby providing long-term sustainable returns for all shareholders.

The Board of Directors and the RNGC are committed to making sure that the Executive remuneration structure is transparent and comprehensible for both Executives and investors, and to ensure that Executive rewards are consistent and aligned with the interests of long-term shareholders.

Before setting the targets to be proposed for adoption to the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, as well as of maximum performance achievements, and how these may affect the level and structure of the Executive remuneration.

b) Total Direct Compensation and Peer Group

The Total Direct Compensation for the CEO comprises a Base Salary, an Annual Variable Remuneration ("**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 is set at the median of an extensive peer group. 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.

(1) The cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

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[1] (45%); Free Cash Flow[2] (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 the 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 the Base Salary.
LTIP	Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a three-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 the 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.

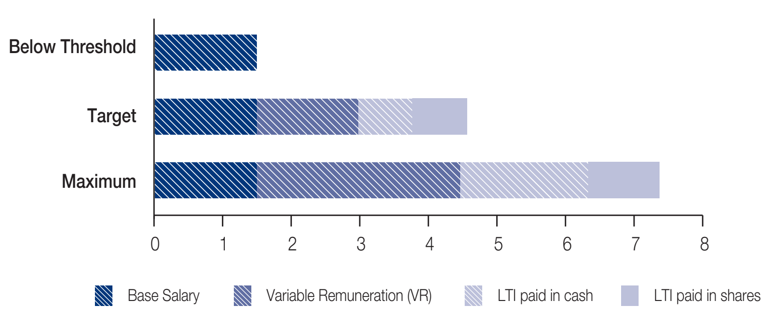
(1) Airbus continues to use the term EBIT (Earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.
(2) Airbus defines the alternative performance measure Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes and (v) realised foreign exchange results on treasury swaps. 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.

Policy from 2016 (approved by 2016 AGM)

The RNGC regularly benchmarks the CEO's Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The relevant peer group was composed with the assistance of an independent consultant Willis Towers Watson, and comprised 31 companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group (for further details, see "— 4.2.1.4 Implementation of the Remuneration Policy in 2017: CEO").

Following the change approved at the AGM in 2016, and as illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2018. Indeed, the on-target levels of VR and LTIP will each amount to 100% of the CEO's Base Salary.

SCENARIOS CEO TOTAL DIRECT COMPENSATION



Indications 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.

4

c) Base Salary

The Base Salary of the CEO is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration

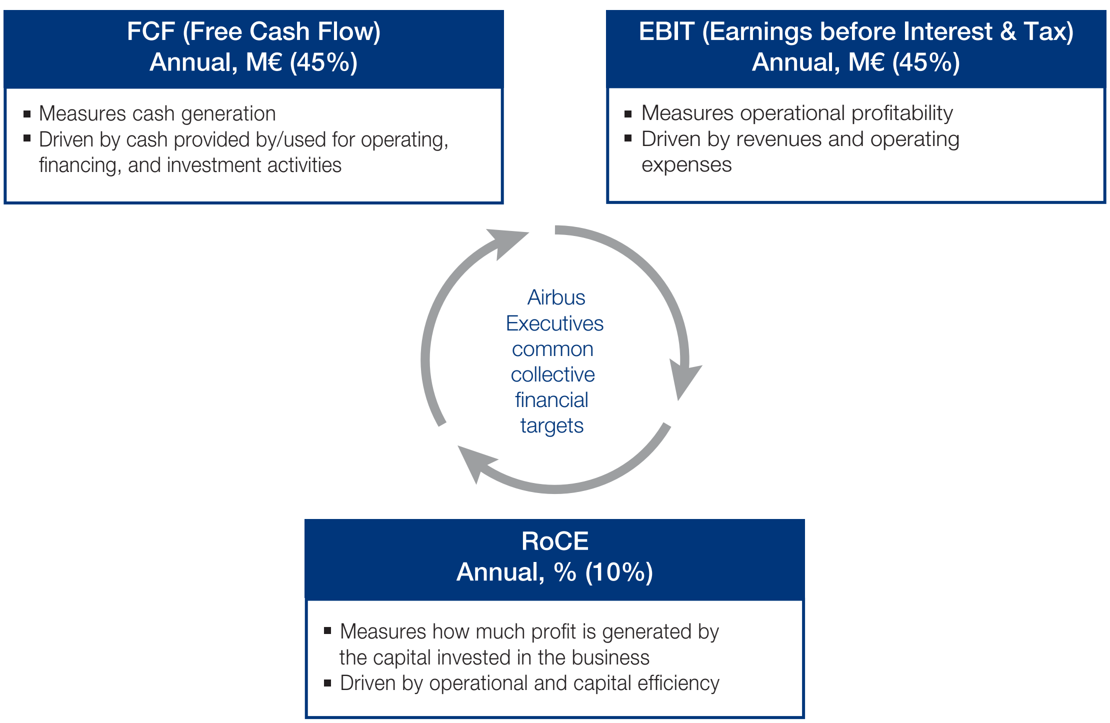
The Variable Remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the Variable Remuneration for the CEO is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire Variable Remuneration is at-risk, and therefore if performance targets are not achieved sufficiently, 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 RoCE (10%) objectives. Each year, the Board of Directors sets the goals for these key value drivers at Group and Division levels. The Common Collective financial 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 to computing achievement levels, noting that the actual EBIT, Free Cash Flow and RoCE levels are occasionally adjusted 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.



Individual

The Individual element focuses on **Outcomes** and **Behaviour**. 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 Company Top 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 and quality issues.

e) Long-Term Incentive Plan

There are two types of Long-Term Incentive Plans: until 2015, LTIP was made up of Performance Units only. Since 2016, following the approval of amendments by shareholders at 2016 AGM, the LTIP has been composed of a mix of Performance Units and Performance 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 performance conditions are assessed over a three-year period based on relevant financial criteria with stringent targets set, 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%) 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

- Measures profitability
- Driven by net income and number of shares

Free cash Flow
Cumulated over 3 years, M€

- Measures cash generation
- Driven by cash provided by/used for operating, financing, and investment activities

For reasons of confidentiality, the precise targets set for the average EPS and cumulated 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

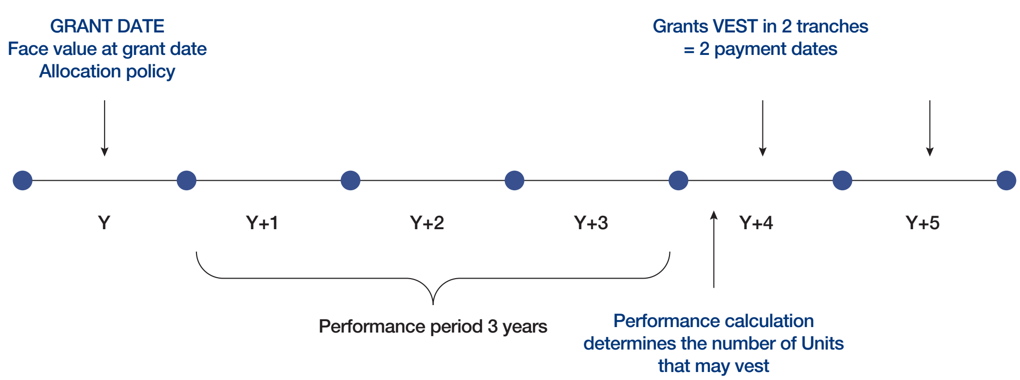
Performance Units Plan Characteristics (until and including 2015 plan)

Performance Units are the long-term equity-related incentive awards that are currently granted to the CEO. LTIP awards are granted each year. Each grant is subject to a three-year cumulative performance objective. At the end of the three-year period, the grant is subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 will vest in four tranches, the payment of which takes place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed from 2014 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 must decide what portion of the allocation (subject to the performance calculation) would be released as cash payments and what portion would be converted into shares. At least 25% (and up to 75%) of the award must be deferred into shares, and would only 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 FROM 2014 TO 2015

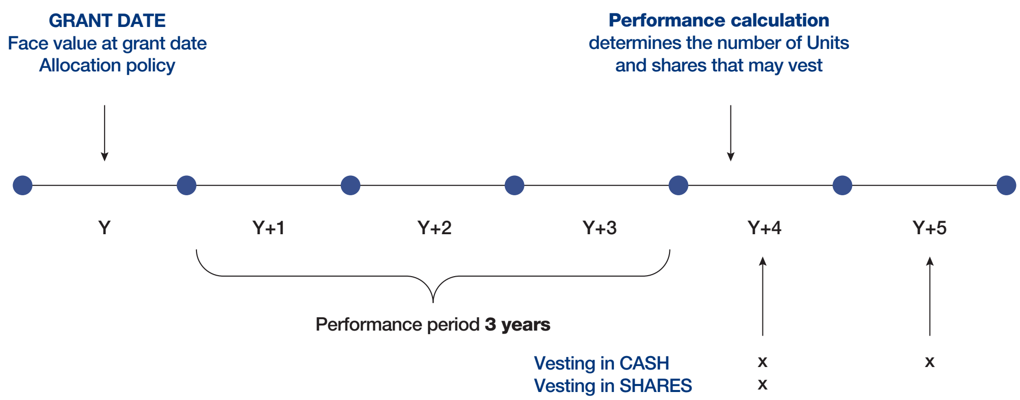


Performance Units & Performance Shares Characteristics (since 2016)

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 6 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) Contracts and Severance

In the case of contract termination, the CEO is 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 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 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 for each year that the non-compete clause applies 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.

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 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.

j) 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.

k) Loans

The Company does not provide loans or advances to the CEO.

4.2.1.2 Non-Executive Remuneration – Applicable to Non-Executive Members of the Board of Directors

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;
- 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 were reviewed to recognise the increase in Board Members' responsibilities, their greater time commitment and Airbus' continuous need to attract and retain highly competent Members. 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.

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).

4.2.1.4 Implementation of the Remuneration Policy in 2017: CEO

a) Benchmarking

Based on a review the RNGC performed in 2014 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was slightly below the median level of the peer group. In 2017, there was no increase of the CEO remuneration.

b) Base Salary

For 2017, the Base Salary remains at €1,500,000. The CEO's Base Salary level was reviewed in 2015 and approved by shareholders at 2016 AGM. Any future review of the CEO's Base Salary will also take into consideration salary increases of employees across the Company.

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.

For 2016, the VR amounted to an aggregate €2,167,500 composed of €1,192,500 for the Common Collective Component (159%), and €975,000 for the Individual part (130%).

The **Common Collective Component** results from a composite **159% achievement** of EBIT, Free Cash Flow and RoCE objectives.

This achievement mainly reflects a solid **EBIT** and **Free Cash Flow** generation against the budgeted targets. The main drivers of that success were the strong underlying business performance, healthy pre-delivery payments inflows, ongoing efforts to control working capital including payment terms to suppliers and lower R&D spending. Finally, **RoCE** was slightly below the target.

Normalisation adjustments were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

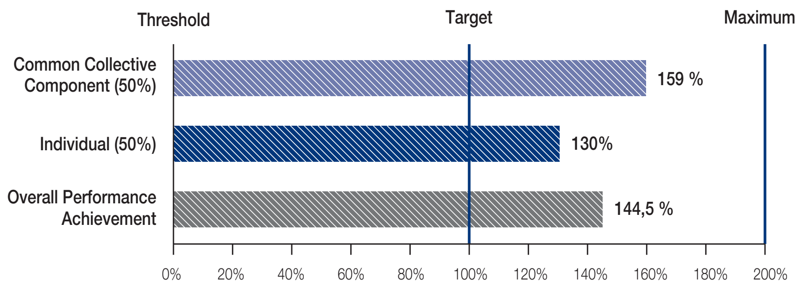
The **Individual part** results from a good achievement level of 130% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the four Airbus priorities agreed at the start of the year. For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the good assessment** were among other achievements:

- solid financial figures achieving the envisaged targets to a large extent despite set-backs on the A400M programme;
- very good operational performance with a new record number of aircraft deliveries mastering a solid ramp-up of the A350 programme and the transition from the ceo to the new neo version of the A320 programme despite technical issues with both new engine types;
- excellent strategic move in acquiring the Bombardier C Series programme to complement the Airbus product portfolio and to set the pace for the competition;
- confirmed lead on the civil and parapublic helicopter market against a challenging market backdrop while slightly improving the position on the military market;
- good progress in key development programmes Airbus A350-1000, Airbus Helicopters H160 and Ariane 6;

- rapid implementation of the digital roadmap including digitalisation of the development and production processes;
- "Go live" for the Company's further integration through the "Gemini" project by merging Airbus and Airbus Group for a leaner and more efficient management;
- strong focus on Company-wide benchmark Compliance standards and processes as well as coordinated Corporate Social Responsibility activities;
- reinforced efforts on gender and international diversity as well as implementation of new HR transformation and management development programmes.

PERFORMANCE AGAINST TARGET



d) Long-Term Incentive Plan

Granting 2017

As stipulated in the Company's Remuneration Policy the CEO is eligible for a Performance Units and Performance Shares award under the Company's LTIP 2017. The value of the Performance Unit and Share award is capped at 100% of the Base Salary at the date of grant. During 2017, the CEO was granted in total of both 20,324 Performance Units and Performance Shares.

The table below gives an overview of the Performance Units and Performance Shares granted to the CEO in 2017 pursuant to the LTIP*:

	Unit plan: number of Performance Units	
	Granted in 2017	Vesting dates
Thomas Enders	10,162	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in May 2021; (ii) 50% expected in May 2022.

* There is no obligation under the Dutch Financial Supervision Act to notify the cash units under the LTIP to the AFM. The CEO's cash units are therefore no longer reflected in the AFM register.

	Share plan: number of Performance Shares	
	Granted in 2017	Vesting dates
Thomas Enders	10,162	Vesting schedule is made up of 1 tranche: (i) 100% expected in May 2021

Vesting Values in 2017

In 2017, the CEO received both cash payments and vested shares in connection with the vesting of 2012 and 2013 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to €1,372,048 in 2017 versus €2,279,709 in 2016.
- **Shares:** In connection with the 2012 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 11,192 vested shares (16,448 vested shares in 2016) on the fourth vesting date for the 2012 LTIP (31 November 2017). In connection with the 2013 LTIP award, the CEO had elected that 50% of his grant should be deferred into shares. Therefore, the vesting of 5,682 Performance Units for the LTIP 2013 will be released in the form of shares on the fourth vesting date for the 2013 LTIP (which will take place in 2018).

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
2012	Units	50,300	€27.83	€1,399,849	Conditional	89%	44,768	4 vestings in 2016-2017	1st vesting – 3 May 2016: €55.66* 2nd vesting – 31 October 2016: €53.77 3rd vesting – 3 May 2017: €55.66* 4th vesting – 3 November 2017: €55.66*
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
2014	Units	29,500	€47.45	€1,399,775	Conditional	80%	23,600	2 vestings in 2018-2019	Not yet known
2015	Units	24,862	€56.31	€1,399,979	Conditional	Not yet known	Not yet known	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

Calculations may involve rounding to the nearest unit.
* For vesting 2012 the cap applicable to the share price was applied.

Performance Conditions of LTIP 2013 and 2014

The performance conditions for LTIP 2013 were determined as follows:

- if Airbus reports negative cumulated EBIT results, the Board of Directors can decide in 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 Earnings Per Share ("Ave EPS"): determined on a linear basis depending on three-year Ave EPS for the 2014, 2015 and 2016 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €3.64,
  - and 25% of cumulative Free Cash Flow ("Cum FCF"): determined on a linear basis depending on three-year Cum FCF for the 2014, 2015 and 2016 fiscal years, with the three year Cum FCF target for an allocation of 100% equal to €2,650m.

The performance conditions for LTIP 2014 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 Ave EPS: determined on a linear basis depending on three-year Ave EPS for the 2015, 2016 and 2017 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €3.31,
  - and 25% of Cum FCF: determined on a linear basis depending on three-year Cum FCF for the 2015, 2016 and 2017 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to €4,298m.

Review of Achievement of Performance Conditions

The Board of Directors on 21 February 2017 noted the achievement of the performance conditions of the 2013 plan, *i.e.* for the 2014, 2015 and 2016 fiscal years. The three year average EPS was €2.28, after normalisation to align it with policies in force when setting the target (notably IAS11). The three-year Cum FCF before M&A was €3,440m.

Furthermore the Board of Directors on 14 February 2018 noted the achievement of the performance conditions of the 2014 plan, *i.e.* for the 2015, 2016 and 2017 fiscal years. The three year average EPS ("**Ave EPS**") was €2.81 after normalisation to align it with policies in force when setting the target (notably IAS11). The three year cumulative FCF ("**Cum FCF**") before M&A was €9,741m.

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
2012	Ave EPS	50,300	€2.75	€2.63	89%	N/A	44,768	€0.34*
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%			

* Average EPS of 2011, 2010 and 2009.
** Average EPS of 2012, 2011 and 2010.
*** Average EPS of 2013, 2012 and 2011.

e) Share Ownership

The CEO owned 92,161 Company shares on 31 December 2017, which represents more than 200% of the base salary. He herewith respects Airbus' share ownership policy.

f) Employee Share Ownership Plan (ESOP)

In March 2017, 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 varied 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 2017, a dedicated UK tax advantageous Share Incentive Plan ("SIP"), was also deployed in March 2017.

Although the CEO was eligible for the plan, he did not participate to the ESOP 2017 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 2017 amounted to €63,250.

h) Retirement

As of 31 December 2017, the present value of the CEO's pension defined benefit obligation, including deferred compensation amounted to €21,176,042 versus €21,251,788 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 1.5% discount rate in 2017 compared to a 1.7% discount rate in 2016, which mainly explains the change in value. For the fiscal year 2017, the current service and interest costs related to the CEO's pension promise represented an expense of €1,175,057. This obligation has been accrued in the Consolidated Financial Statements.

The defined benefit obligation for the CEO's Company pension results from the Company's pension policy as described above and takes into account (1) the seniority of the CEO in the Company and on its Executive Committee and (2) 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.

i) Clawback

The Board has not applied any clawback in 2017.

4.2.1.5 Implementation of the Remuneration Policy in 2017: Non-Executive Directors

The last review of the Board remuneration was undertaken in 2015 and is in line with market practice, incentivise attendance and recognise 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 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 6 meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account D. Ranque's wishes to waive the supplement linked to this remuneration policy, but also to the increase of number of Board meetings in 2017, the remuneration of Denis Ranque related to 2017 as Chairman of the Board of Director (chairmanship Board Fixum and Attendance fees) is €260,000.

Therefore, the Board recommended that the remuneration exceeding €260,000 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 €70,000 based on the number of Board meetings in 2017.

Summary table of the 2017 and 2016 fees of all non-Executive Members of the Board (current and former):

	2017			2016		
(in €)	Fixum(1)	Attendance fees(2)	Total	Fixum(1)	Attendance fees(2)	Total
Non-Executive Board Members						
Denis Ranque(3)	204,293	80,000	284,293	180,000	60,000	240,000
Ralph D. Crosby Jr.	94,420	80,000	174,420	80,000	50,000	130,000
Lord Drayson(4)	72,100	60,000	132,100	0	0	0
Catherine Guillouard(3)	120,000	70,000	190,000	67,582	40,000	107,582
Hans-Peter Keitel	100,000	60,000	160,000	100,000	60,000	160,000
Hermann-Josef Lamberti(3)	135,707	70,000	205,707	110,000	55,000	165,000
Lakshmi N. Mittal(5)	28,176	10,000	38,176	100,000	50,000	150,000
María Amparo Moraleda Martínez(3)	120,000	80,000	200,000	100,000	55,000	155,000
Claudia Nemat	100,000	70,000	170,000	67,582	30,000	97,582
Sir John Parker(3)	135,707	65,000	200,707	110,000	60,000	170,000
Carlos Tavares	80,000	65,000	145,000	54,066	20,000	74,066
Jean-Claude Trichet	100,000	80,000	180,000	100,000	60,000	160,000
Former Non-Executive Board Members						
Manfred Bischoff	0	0	0	26,154	20,000	46,154
Anne Lauvergeon	0	0	0	32,692	10,000	42,692
Michel Pébereau	0	0	0	32,692	20,000	52,692
TOTAL	**1,290,403**	**790,000**	**2,080,403**	**1,160,768**	**590,000**	**1,750,768**

(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 2017 was paid 50% in January 2017 and 50% in July 2017. The fixum for the year 2016 was paid 50% in December 2015 and 50% in July 2016.
(2) The attendance fees related to the first semester 2017 were paid in July 2017, those related to the second semester 2017 are paid in January 2018. The attendance fees related to the first semester 2016 were paid in July 2016; those related to the second semester 2016 were paid in January 2017.
(3) Member of the E&C Committee and its predecessor, the temporary Ad-Hoc Committee.
(4) Member of the Company Board of Directors and the RNGC as of 12 April 2017.
(5) Not a Member of the Company Board of Directors as of 12 April 2017.

4.2.2 Long-Term Incentives Granted to the Chief Executive Officer

See "— 4.3.3 Long-Term Incentive Plans".

4.2.3 Related Party Transactions

Reflecting Article 2:129(6) of the Dutch Civil Code, Article 18.5 of the Articles of Association provides that "*a Director shall not take part in the deliberations or decision-making if he has a direct or indirect personal interest which conflicts with the interests of the Company and of the enterprise connected with it. If as a result thereof no resolution of the Board of Directors can be adopted, the resolution is adopted by the General Meeting*".

During the years 2015, 2016 and 2017, no agreement was entered into by the Company with one of its Directors or principal officers or a shareholder holding more than 5% of the voting rights of the Company outside the ordinary course of business and in conditions other than arm's length conditions. For more information, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 8: Related party transactions" for the year ended 31 December 2017 and "— Notes to the IFRS Consolidated Financial Statements — Note 8: Related party transactions" for the year ended 31 December 2016, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see "— General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders". Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

4.3 Employee Profit Sharing and Incentive Plans

4.3.1 Employee Profit Sharing and Incentive Agreements

The Company's remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Company. In 2012, a Performance and Restricted Unit plan was established for the senior management of Airbus (see "— 4.3.3 Long-Term Incentive Plans"), and employees were offered shares at favourable conditions within the context of a new Employee Share Ownership Plan (see "— 4.3.2 Employee Share Ownership Plans").

The success sharing schemes which are implemented at the Company in France, Germany, Spain and the UK follow one set of common rules of the group, ensuring a consistent application in these four countries.

4.3.2 Employee Share Ownership Plans

Enabling employees to participate in the results of the Company is a key element in the Airbus benefits policy. 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 2017 AGM. Such powers include the approval of ESOP.

The following table summarises the main terms of the ESOPs conducted over the last three years:

Year	Price per share	Nominal value per share	Number of shares issued	Date of issuance
2013	€42.02[1] / €44.20[2]	€1	2,113,245	29 July 2013
2014	[3]			
2015	€49.70[1] / €51.63[2] / €65.59[4]	€1 €1	1,436,901 102,113	21 April 2015 November 2015
2016	€54.31[1] / €55.41[2] € / 55.53[5]	€1	1,366,893 107,823	14 April 2016 18 November 2016
2017	€64.44[1] / €67.24[2] / €85.20[6]	€1 €1	1,554,611 88,582	3 May 2017 21 November 2017

(1) Shares purchased within context of group employee savings plan.
(2) Shares purchased directly.
(3) July 2014 the Board of Directors decided to cancel the ESOP scheme for 2014 due to volatility of the share price and the financial situation.
(4) Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.
(5) Under the umbrella of the ESOP 2016, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.
(6) Under the umbrella of the ESOP 2017, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

In 2017 and 2016, 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 (2017: 5, 20, 30, 50 or 100 shares; 2016: 4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (2017: 4, 8, 10, 13 and 25 free shares, respectively; 2016: 4, 5, 7, 11, 16 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 Company 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 21 February 2017 (2016: 23 February 2016) and amounted to €67.24 (2016: €55.41). 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 21 February 2017 (2016: 23 February 2016), resulting in a price of €64.44 (2016: €54.31). The Company issued and sold 411,710 ordinary shares (2016: 485,048) with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €28 million (2016: €27 million) was recognised in connection with 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 future ESOP, the Company intends 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 would aim at favouring the development of employee shareholding.

4.3.3 Long-Term Incentive Plans

In 2012, 2013, 2014, 2015 and 2016, based on the authorisation granted to it by the shareholders' meetings (see dates below), the Board of Directors approved the granting of LTIP Performance Units and Restricted Units in the Company. The grant of so-called "units" will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2. In 2017, the Board of Directors approved an LTIP Performance Units and Performance Share Plan.

The principal characteristics of these options as well as Performance and Restricted Units as of 31 December 2017 are set out in the "Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment". They are also summarised in the tables below:

		Fourteenth tranche
Date of Board of Directors meeting (grant date)		13 December 2012
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted(1)	2,123,892	621,980
Number of units outstanding	0	0
Units granted to:		
▪ Mr. Thomas Enders*	50,300	-
▪ the 10 employees having being granted the highest number of units during the year 2012 (fourteenth tranche)	251,800	-
Total number of eligible beneficiaries		1,797
Vesting dates	The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: ▪ 25% expected in May 2016; ▪ 25% expected in November 2016; ▪ 25% expected in May 2017; ▪ 25% expected in November 2017.	
Number of vested units	1,744,570	568,495

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

		Fifteenth tranche
Date of Board of Directors meeting (grant date)		13 November 2013
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted(1)	1,245,052	359,060
Number of units outstanding	440,591	167,386
Units granted to:		
▪ Mr. Thomas Enders*	30,300	-
▪ the 10 employees having being granted the highest number of units during the year 2013 (fifteenth tranche)	173,100	-
Total number of eligible beneficiaries		1,709
Vesting dates	The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years: ▪ 25% expected in May 2017; ▪ 25% expected in November 2017; ▪ 25% expected in May 2018; ▪ 25% expected in November 2018.	
Number of vested units	424,425	169,254

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

		Sixteenth tranche
Date of Board of Directors meeting (grant date)		13 November 2014
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted(1)	1,114,962	291,420
Number of units outstanding	834,572	275,070
Units granted to:		
▪ Mr. Thomas Enders*	29,500	-
▪ the 10 employees having being granted the highest number of units during the year 2014 (sixteenth tranche)	176,460	-
Total number of eligible beneficiaries		1,621
Vesting dates	The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: ▪ 50% expected in June 2018; ▪ 50% expected in June 2019.	
Number of vested units	5,580	2,060

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

		Seventeenth tranche
Date of Board of Directors meeting (grant date)		29 October 2015
	Performance and Restricted Unit plan	
	Performance Units	Restricted Units
Number of units granted(1)	926,398	240,972
Number of units outstanding	890,248	238,386
Units granted to:		
▪ Mr. Thomas Enders*	24,862	-
▪ the 10 employees having being granted the highest number of units during the year 2015 (seventeenth tranche)	156,446	-
Total number of eligible beneficiaries		1,564
Vesting dates		The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: ▪ 50% expected in June 2019; ▪ 50% expected in June 2020.
Number of vested units	2,606	-

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

		Eighteenth tranche
Date of Board of Directors meeting (grant date)		25 October 2016
	Performance Units and performance shares plan	
	Performance Units	Performance Shares
Number of units/shares granted(1)	615,792	621,198
Number of units/shares outstanding	605,789	611,225
Units/shares granted to:		
▪ Mr. Thomas Enders*	14,240	14,240
▪ the 10 employees having being granted the highest number of units/shares during the year 2016 (eighteenth tranche)	79,504	85,200
Total number of eligible beneficiaries		1,671
Vesting dates		The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: ▪ Performance Units: ▪ 50% expected in May 2020; ▪ 50% expected in May 2021. ▪ Performance Shares: 100% expected in May 2020
Number of vested units	-	-

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".

		Nineteenth tranche
Date of Board of Directors meeting (grant date)		30 October 2017
	Performance Units and performance shares plan	
	Performance Units	Performance Shares
Number of units/shares granted[1]	421,638	425,702
Number of units/shares outstanding	421,638	425,702
Units/shares granted to:		
▪ Mr. Thomas Enders*	10,162	10,162
▪ the 10 employees having being granted the highest number of units/shares during the year 2017 (eighteenth tranche)	53,808	57,872
Total number of eligible beneficiaries		1,601
Vesting dates		The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: ▪ Performance Units: ▪ 50% expected in May 2021; ▪ 50% expected in May 2022. ▪ Performance Shares: 100% expected in May 2021
Number of vested units	-	-

(1) 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 Airbus) 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).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in “Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment”.

SHAREHOLDING IN THE COMPANY OF THE MEMBERS OF THE BOARD OF DIRECTORS

Member of the Board of Directors	Shareholding
▪ Mr. Thomas Enders	65,161 ordinary shares
▪ Mr. Denis Ranque	2,000 ordinary shares
▪ Ms. Catherine Guillouard	125 ordinary shares

No other Member of the Board of Directors holds shares or other securities in the Company.

Chapter

5

Entity Responsible for the Registration Document

5.1 Entity Responsible for the Registration Document

Airbus SE

5.2 Statement of the Entity Responsible for the Registration Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Airbus SE represented by:

Thomas Enders

Chief Executive Officer

5.3 Information Policy

- Contact details for information:
  Ms Julie Kitcher
  Head of Investor Relations and Financial Communication,
  Airbus SE
  2 rond point Emilie Dewoitine
  BP 90112
  31703 Blagnac France
  Telephone: +33 5 82 05 53 01
  E-mail: ir@airbus.com
- Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An international number is also available for the rest of the world (+33 800 01 2001)
- An e-mail box is dedicated to shareholders' messages: ir@airbus.com

A website, **www.airbus.com**, provides a wide range of information on the Company, including the Board of Directors' report. Additionally, for the life of this Registration Document, copies of:

- the Company's Articles of Association;
- the Registration Document filed in English with, and approved by, the AFM on 5 April 2016;
- the Registration Document filed in English with, and approved by, the AFM on 4 April 2017; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of Airbus SE for the years ended 31 December 2016 and 2017, together with the related Auditors' reports, may be inspected at the Company's registered office at: Airbus SE, Mendelweg 30, 2333 CS Leiden, the Netherlands, Seat (*statutaire zetel*) Amsterdam, Tel.: +31 (0)71 5245 600.

5.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris, on the *regulierter Markt* (in the sub-segment Prime Standard) of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges, the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarised in "General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures".

5.5 Significant Changes

As of the date of this Registration Document, there has been no significant change in the Company's financial or trading position since 31 December 2017.

2017

Financial Statements

Financial Statements

2017

Chapter

1

Airbus SE IFRS Consolidated Financial Statements

Airbus SE — IFRS Consolidated Income Statements for the years ended 31 December 2017 and 2016

(In € million)	Note	2017	2016
Revenues	**10**	**66,767**	**66,581**
Cost of sales		(59,160)	(61,317)
Gross margin	**10**	**7,607**	**5,264**
Selling expenses		(872)	(997)
Administrative expenses		(1,567)	(1,726)
Research and development expenses	11	(2,807)	(2,970)
Other income	13	981	2,689
Other expenses	13	(336)	(254)
Share of profit from investments accounted for under the equity method	12	333	231
Other income from investments	12	82	21
Profit before finance costs and income taxes		**3,421**	**2,258**
Interest income		189	247
Interest expense		(517)	(522)
Other financial result		1,477	(692)
Total financial result	14	1,149	(967)
Income taxes	15	(1,693)	(291)
Profit for the period		**2,877**	**1,000**
Attributable to			
Equity owners of the parent (Net income)		2,873	995
Non-controlling interests		4	5
Earnings per share		€	€
Basic	16	3.71	1.29
Diluted	16	3.70	1.29

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

Airbus SE — IFRS Consolidated Statements of Comprehensive Income for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Profit for the period		2,877	**1,000**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plans		116	(1,649)
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method		61	(102)
Income tax relating to items that will not be reclassified	15	(26)	365
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		(526)	(174)
Change in fair value of cash flow hedges	35	10,636	(247)
Change in fair value of available-for-sale financial assets		396	(53)
Share of changes in other comprehensive income from investments accounted for under the equity method		(3)	(35)
Income tax relating to items that may be reclassified	15	(2,881)	(7)
Other comprehensive income, net of tax		7,773	**(1,902)**
Total comprehensive income for the period		**10,650**	**(902)**
Attributable to			
Equity owners of the parent		10,611	(917)
Non-controlling interests		39	15

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

Airbus SE — IFRS Consolidated Statements of Financial Position at 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Assets			
Non-current assets			
Intangible assets	17	11,629	12,068
Property, plant and equipment	18	16,610	16,913
Investment property		3	5
Investments accounted for under the equity method	7	1,678	1,608
Other investments and other long-term financial assets	19	4,204	3,655
Non-current other financial assets	23	2,980	976
Non-current other assets	24	2,295	2,358
Deferred tax assets	15	3,598	7,557
Non-current securities	34	10,944	9,897
		53,941	**55,037**
Current assets			
Inventories	20	31,464	29,688
Trade receivables	21	8,358	8,101
Current portion of other long-term financial assets	19	529	522
Current other financial assets	23	1,979	1,257
Current other assets	24	2,907	2,576
Current tax assets		914	1,110
Current securities	34	1,627	1,551
Cash and cash equivalents	34	12,016	10,143
		59,794	**54,948**
Assets and disposal group of assets classified as held for sale	6	202	1,148
Total assets		**113,937**	**111,133**

(In € million)	Note	**2017**	2016
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		775	773
Share premium		2,826	2,745
Retained earnings		7,007	4,987
Accumulated other comprehensive income		2,742	(4,845)
Treasury shares		(2)	(3)
		13,348	**3,657**
Non-controlling interests		3	(5)
Total equity (1)	**32**	**13,351**	**3,652**
Liabilities			
Non-current liabilities			
Non-current provisions	22	10,153	10,826
Long-term financing liabilities	34	8,984	8,791
Non-current other financial liabilities	23	6,948	13,313
Non-current other liabilities	24	17,190	16,279
Deferred tax liabilities	15	981	1,292
Non-current deferred income		199	288
		44,455	**50,789**
Current liabilities			
Current provisions	22	6,575	6,143
Short-term financing liabilities	34	2,212	1,687
Trade liabilities	21	13,444	12,532
Current other financial liabilities	23	2,185	5,761
Current other liabilities	24	29,193	27,535
Current tax liabilities		1,481	1,126
Current deferred income		935	917
		56,025	**55,701**
Disposal group of liabilities classified as held for sale	6	106	991
Total liabilities		**100,586**	**107,481**
Total equity and liabilities		**113,937**	**111,133**

(1) As of 31 December 2017, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to €65 million.

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

Airbus SE — IFRS Consolidated Statements of Cash Flows for the years ended 31 December 2017 and 2016

(In € million)	Note	2017	2016
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income)		2,873	995
Profit for the period attributable to non-controlling interests		4	5
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(189)	(247)
Interest expense		517	522
Interest received		149	139
Interest paid		(501)	(378)
Income tax expense		1,693	291
Income tax paid		(152)	(559)
Depreciation and amortisation	9	2,298	2,294
Valuation adjustments		(1,755)	1,132
Results on disposals of non-current assets		(773)	(1,870)
Results of investments accounted for under the equity method		(333)	(231)
Change in current and non-current provisions		805	1,321
Contribution to plan assets		(458)	(290)
Change in other operating assets and liabilities: (1)		**266**	**1,245**
Inventories		(2,572)	(3,477)
Trade receivables		621	(1,215)
Trade liabilities		1,419	2,398
Advance payments received		1,268	4,628
Other assets and liabilities and others (1)		(470)	(1,089)
Cash provided by operating activities (1) (2)		**4,444**	**4,369**
Investing activities:			
Purchases of intangible assets, property, plant and equipment, investment property		(2,558)	(3,060)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		177	72
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	(23)	(120)
Proceeds from disposals of subsidiaries (net of cash)	6	377	731
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(913)	(691)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		532	182
Dividends paid by companies valued at equity	7	218	192
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	6	893	1,527
Payments for investments in securities		(3,767)	(2,280)
Proceeds from disposals of securities		2,534	2,617
Cash (used for) investing activities		**(2,530)**	**(830)**
Financing activities:			
Increase in financing liabilities	34	1,703	3,297
Repayment of financing liabilities	34	(419)	(1,725)
Cash distribution to Airbus SE shareholders	32	(1,043)	(1,008)
Dividends paid to non-controlling interests		(3)	(4)
Changes in capital and non-controlling interests		83	60
Share buyback	32	0	(736)
Cash provided by (used for) financing activities		**321**	**(116)**
Effect of foreign exchange rate changes on cash and cash equivalents		(374)	60
Net increase in cash and cash equivalents (1)		**1,861**	**3,483**
Cash and cash equivalents at beginning of period (1)		**10,160**	**6,677**
Cash and cash equivalents at end of period (1)	**34**	**12,021**	**10,160**
thereof presented as cash and cash equivalents (1)	*34*	*12,016*	*10,143*
thereof presented as part of disposal groups classified as held for sale	*6*	*5*	*17*

(1) Customer financing flows previously disclosed in separate line items on the face of the cash flow statement are now included within the cash flows from “other assets and liabilities and others” (see “— Note 25: Sales Financing Transactions”).
(2) In 2017, cash provided by operating activities has been positively impacted by certain agreements reached with Airbus’ 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 Statements of Changes in Equity for the years ended 31 December 2017 and 2016

		Equity attributable to equity holders of the parent									
					Accumulated other comprehensive income						
(In € million)	Note	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		**785**	**3,484**	**6,316**	**835**	**(6,864)**	**1,713**	**(303)**	**5,966**	**7**	**5,973**
Profit for the period		0	0	995	0	0	0	0	995	5	1,000
Other comprehensive income		0	0	(1,383)	(65)	(289)	(175)	0	(1,912)	10	(1,902)
Total comprehensive income for the period		0	0	(388)	(65)	(289)	(175)	0	(917)	15	(902)
Capital increase	32	2	58	0	0	0	0	0	60	0	60
Share-based payment (IFRS 2)	30	0	0	31	0	0	0	0	31	0	31
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	32	0	0	(1,008)	0	0	0	0	(1,008)	(4)	(1,012)
Equity transaction (IAS 27)		0	0	38	0	0	0	0	38	(23)	15
Change in treasury shares	32	0	0	(2)	0	0	0	(511)	(513)	0	(513)
Cancellation of treasury shares	32	(14)	(797)	0	0	0	0	811	0	0	0
Balance at 31 December 2016		**773**	**2,745**	**4,987**	**770**	**(7,153)**	**1,538**	**(3)**	**3,657**	**(5)**	**3,652**
Profit for the period		0	0	2,873	0	0	0	0	2,873	4	2,877
Other comprehensive income		0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income for the period		0	0	3,024	369	7,757	(539)	0	10,611	39	10,650
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		**775**	**2,826**	**7,007**	**1,139**	**604**	**999**	**(2)**	**13,348**	**3**	**13,351**

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

Chapter 2

Notes to the IFRS Consolidated Financial Statements

CONTENTS

2.1 Basis of Presentation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE**, the "Company", 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. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries is referred to as "Airbus" and no longer the "Group", and the segment formerly known as Airbus is referred to as "Airbus Commercial Aircraft". In this new set-up, Airbus retains Airbus Defence and Space and Airbus Helicopters as Divisions. In 2017, Airbus continued to report under the existing reportable segments. 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 14 February 2018.

2. Significant Accounting Policies

Basis of preparation — Airbus' 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 with 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.

Airbus 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. The most significant accounting policies are set out below:

Revenue recognition — Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of Airbus will flow to Airbus, that revenue can be measured reliably and that the recognition criteria, for each type of revenue-generating activity (sales of goods and services and construction contracts), have been met. Revenue is measured at the fair value of the consideration received or receivable. A new revenue recognition standard will be implemented from 1 January 2018, the principles described below will be impacted (see "— Note 4: Change in Accounting Policies and Disclosures").

Revenues from the sale of commercial aircraft are recognised when the aircraft is delivered, risks and rewards of ownership have been transferred to the customer and revenues can be measured reliably except for launch customer contracts (see "Revenue from construction contracts"). Revenues from sales of aircraft (and related cost of sales) always include the engine component. Customers will generally benefit from a concession from the engine manufacturer, negotiated directly between the customer and the engine manufacturer. When reliable information exists, the engine prices considered in our revenues (and cost of sales) reflect the effect of the concessions.

Revenue from construction contracts — Construction contract accounting is applied for military programmes, space projects as well as for launch customer contracts in the civil aircraft business if customers have significantly influenced the structural design and technology of the aircraft type under the contract. As a result of certain airline customers' increasing involvement in the development and production process of the A350 XWB programme, Airbus applies IAS 11 "Construction contracts" to a fixed number of launch customer contracts of the A350 XWB programme. When the outcome can be estimated reliably, revenues and contract costs are recognised as revenue and expensed respectively by reference to the percentage of completion of the contract activity at the end of the reporting period ("PoC method"). Contract revenues include the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed as probable. The PoC method used depends on the contract.

The method is based either on inputs (*i.e.* costs incurred for development contracts) or outputs (*i.e.* contractually agreed technical milestones, delivered units).

Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable (the "early stage", also called "zero profit margin" method of accounting) (see "— Note 3: Key Estimates and Judgements").

Provisions for loss making contracts — Airbus records provisions for loss making contracts when it becomes probable that the total contract costs will exceed total contract revenues. Before a provision for loss making contracts is recorded, the related assets under construction are written-off. Loss making sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which requires significant and 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: Revenues and Gross Margin" and "— Note 22: Provisions, Contingent Assets and Contingent Liabilities").

Research and development expenses — Research and development activities can be either contracted or self-initiated.

The costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

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;
- Airbus 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.

Development costs which are capitalised, 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, capitalised development costs 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. Inventories include work in progress arising under construction contracts for which revenues are recognised based on output methods.

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of an Airbus entity, 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 the profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions); and
- in the 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 available-for-sale are included in accumulated other comprehensive income ("AOCI").

Hedge accounting — Most of Airbus' revenues are denominated in US dollar ("US$"), while a major portion of its costs are incurred in euro. Airbus is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, Airbus 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, Airbus enters into derivative contracts. Airbus 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 Airbus' 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.

Airbus' 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 Airbus' 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 Airbus' Consolidated Financial Statements are mentioned below:

Revenue recognition on construction contracts — The PoC method is used to recognise revenue under construction contracts. 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 construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary (see "— Note 21: Trade Receivables and Trade Liabilities").

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates. Loss making contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of Airbus' 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 (such as the A350 XWB and the A400M) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

Airbus makes estimates and provides, across the programmes, for costs related to in service technical issues which have been identified and for which solutions have been defined, and for which the associated costs can be reliably estimated reflecting the latest facts and circumstances. Airbus 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 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 Airbus' 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: Revenues and Gross Margin" and "— Note 22: Provisions, Contingent Assets and Contingent Liabilities").

Employee benefits — Airbus 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 Airbus. 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 Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — Airbus 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, Airbus 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 Airbus' ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as Airbus' 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 21: Trade Receivables and Trade Liabilities").

4. Change in Accounting Policies and Disclosures

The accounting policies applied by Airbus for preparing its 2017 year-end Consolidated Financial Statements are the same as applied for the previous year. Amendments and improvements to standards effective on 1 January 2017 have no material impact on the Consolidated Financial Statements. As a result of the implementation of the amendment to IAS 7 "Disclosure initiative", Airbus provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes (see "— Note 34: Net Cash").

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 2017 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 9 "Financial instruments"	1 January 2018	Endorsed
IFRS 15 "Revenue from contracts with customers"	1 January 2018	Endorsed
Clarifications to IFRS 15 "Revenue from contracts with customers"	1 January 2018	Endorsed
Amendments to IFRS 2 "Classification and measurement of share-based payment transactions"	1 January 2018	Not yet endorsed
IFRIC 22 "Foreign currency transactions and advance consideration"	1 January 2018	Not yet endorsed
IFRS 16 "Leases"	1 January 2019	Endorsed
IFRIC 23 "Uncertainty over income tax treatments"	1 January 2019	Not yet endorsed

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 vast majority of Airbus' financial instruments will be accounted for in a manner similar to IAS 39. In particular, Airbus' bonds' portfolio will continue to be held in a business model whose objective is achieved by both collecting contractual coupon payments and selling individual instruments and it will hence continue to be accounted for at fair value through other comprehensive income.

However, IFRS 9 will give rise to classification and measurement changes of Airbus' sales financing portfolio and certain equity investments.

Airbus' sales financing portfolio, being held with a view to facilitating aircraft sales rather than with the intention of collecting all of the contractual interest and principal payments until maturity, will henceforth be measured at fair value through profit or loss (as opposed to amortised cost under IAS 39).

The equity investments in the scope of IFRS 9, including the non-quoted ones, will be measured at fair value in the future. Airbus will determine on an instrument-by-instrument basis whether to elect accounting for an individual investment at fair value through other comprehensive income.

No material impact will arise from these changes on transition.

The same is true for moving from the incurred loss model under IAS 39 to an expected loss model under IFRS 9. Owing to the high credit quality of Airbus' bond portfolio, the expected losses to be recognised under IFRS 9 will be insignificant. Airbus will apply the low credit risk exemption allowing Airbus 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, Airbus has determined that its trade receivables and contract assets generally have low credit risk, and the related loss allowances to be recognised under IFRS 9 will not be significantly different from current levels. Airbus will apply the practical approach of always measuring expected credit losses of trade receivables and contract assets on a life-time basis.

Moving from IAS 39 to IFRS 9, including hedge accounting, as of 1 January 2018 should not have any significant impact on Consolidated Financial Statements. However, going forward, Airbus will take the opportunity provided by IFRS 9 of aligning its major hedge accounting strategies more closely with its risk management activities (see "— Note 35: Information about Financial Instruments"). For certain hedges where Airbus designates the change in the value of the spot element of a forward contract as being hedged, Airbus will apply the cost of hedging approach to the foreign currency swap points, allowing Airbus to recognise the change in the value of the swap points in OCI (rather than profit or loss).

Airbus has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly will not restate comparative periods in the year of initial application. As a consequence, any adjustments to carrying amounts of financial assets or liabilities will be recognised at the beginning of the reporting period, with the difference recognised in opening retained earnings.

Airbus does not expect material changes from the implementation of IFRS 9.

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 will replace the current revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations.

Airbus will adopt the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the comparative 2017 results included in the 2018 financial statements will be restated, and equity will be adjusted as of 1 January 2017. Airbus will elect practical expedients for completed contracts and contract modifications.

Airbus is completing the restatement of its comparative financial statements.

Airbus has estimated the impact that the initial application of IFRS 15 will have on its Consolidated Financial Statements. The estimated impact of the adoption of this standard is summarised below.

As of 1 January 2017:

(In € billion)	As reported at 31 December 2016	Estimated adjustments due to the adoption of IFRS 15	Estimated adjusted opening balance at 1 January 2017
Equity	3.7	(2.1)	1.6

The actual impacts may differ from the estimates above when adopting the standard as of 1 January 2018. The practical implementation on Airbus' accounting policies relating to IFRS 15 are subject to change until Airbus presents its first financial statements that include the date of initial application.

IFRS 15 will not impact the overall profitability over the life-time of contracts and the cash flows. As such IFRS 15 quantitative impacts on equity are phasing differences.

Revenue from construction contracts

Airbus has compared its current accounting policies and practices to the requirements of the new standard. As a result of this analysis, Airbus expects that the adoption of IFRS 15 will have a significant impact on the timing of revenue recognition on certain long-term construction contracts that are currently accounted for under IAS 11. The most significant changes will result from the following:

- Several performance obligations will be identified instead of recognising a single contract margin under IAS11 (*e.g.* A400M, NH90 contracts). In some cases, the over-time (*e.g.* PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, on A350 launch contracts, on A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft will hence be recognised at a point of time (*e.g.* upon delivery of the aircraft to the customer);

- Under IFRS 15, measurement of the revenue will take 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 will generate a decrease in recognised revenue;
- Under IFRS 15, for the application of the overtime method (PoC method), the measure of the progress towards complete satisfaction of a performance obligations will be based on inputs (*i.e.* cost incurred) rather than on outputs (*i.e.* milestones achieved). At Airbus current long-term construction contracts progress is usually measured based on milestones achieved (*e.g.* Tiger programme, satellites, orbital infrastructures). Under IFRS 15, Airbus will measure progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

Revenue from the sale of commercial aircraft

With respect to the commercial aircraft business, other than sales made under the A350 launch contracts described above, IFRS 15 will not change the timing of recognising revenue, which will continue to be recognised when the customer takes delivery of the aircraft.

IFRS 15 will impact the presentation of the revenue. Under IAS 18, Airbus recognises revenues based on the amount of its contracts with its customer, unless it has confirmation of the amount of the price concession. In contrast, IFRS 15 requires Airbus 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 will be decreased by the amount of the estimated concession granted by Airbus engine supplier to their customers. This change in presentation triggers an equal decrease between revenue and cost of sales for an amount of € 7.4 billion in 2017 with no impact on Gross Margin, EBIT and on the Cash Flows of the Company.

Impacts on the disclosures

IFRS 15 requires a disclosure of the unperformed performance obligations (represent obligations under binding contracts which are not or not fully completed). In its 2018 financial statements, Airbus will elect the practical expedient which will allow disclosing the unperformed performance obligations as at 31 December 2018 without comparative figures.

IFRS 16 “Leases”

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to underlying asset and a lease liability representing its obligation to make lease payments.

As at 31 December 2017, Airbus has operating lease commitments of € 1,025 million. IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases; instead certain information is disclosed as operating lease commitments in “— Note 18: Property, Plant and Equipment”.

The assessment of the materiality of IFRS 16 impact on Airbus’ Consolidated Financial Statements is currently being performed.

2.2 Airbus Structure

5. Scope of Consolidation

Consolidation — Airbus’ Consolidated Financial Statements include the financial statements of Airbus SE and all material subsidiaries controlled by Airbus. Airbus’ subsidiaries prepare their financial statements at the same reporting date as Airbus’ Consolidated Financial Statements (see Appendix “Simplified Airbus Structure Chart”).

Subsidiaries are entities controlled by Airbus 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, Airbus 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, Airbus assesses which activity is expected to have the most significant impact on the structured entities’ return. Finally, Airbus determines which party or parties control this activity.

Airbus’ interests in equity-accounted investees comprise investments in associates and joint ventures. Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost.

The financial statements of Airbus’ 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 Airbus.

Perimeter of consolidation

	31 December	
(Number of companies)	**2017**	2016
Fully consolidated entities	207	244
Investments accounted for under the equity method:		
in joint ventures	40	52
in associates	23	23
Total	**270**	**319**

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

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 Airbus.

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 any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, Airbus 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 Airbus' 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 Statements. If Airbus 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 Airbus 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 for under the equity method is highly probable and will 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 accounted for under the equity method.

6.1 Acquisitions

On 16 October 2017, Airbus and **Bombardier Inc. ("Bombardier")** 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. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec will own approximately 31% and 19%, respectively. The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction.

On 9 March 2016, Airbus Commercial Aircraft acquired 100% of the shares of the **Navtech Inc. Group ("Navtech")**, a leading global provider of flight operations solutions, and has recognised goodwill of € 104 million. The purchase price allocation ended on 9 March 2017. No adjustment was made on the goodwill. Navtech provides aviation services with a suite of flight operations products, aeronautical charts, navigation data solutions, flight planning, aircraft performance and crew planning solutions. Navtech generates annual revenues of approximately US$ 40 million and employs over 250 employees, mainly based in Waterloo (Canada) and in Hersham and Cardiff (the UK).

6.2 Disposals

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.

On 28 February 2017, Airbus 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 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.

On 17 June 2015, Airbus Commercial Aircraft signed an agreement with Singapore-based ST Aerospace Ltd. ("STA") to offer passenger-to-freighter ("P2F") conversion solutions for its A320 and A321 aircraft. **Elbe Flugzeugwerke's ("EFW")**, Dresden (Germany), assets and liabilities were classified as disposal groups held for sale as of 31 December 2015. On 4 January 2016, STA acquired an additional 20% of the shares by way of a contribution in kind and a capital increase to EFW, and consequently, Airbus lost the control of EFW. Airbus retains 45% of the shares of EFW with significant influence. As per 2016 financial statements, Airbus Commercial Aircraft has recognised in other income a €19 million gain during the year.

On 2 June 2016, Airbus DS Holding SAS (France) and Astrium International Holdings B.V. (Netherlands), as beneficiaries, and a French private equity firm, Apax Partners, closed the sale of the **business communications entities**. The assets and liabilities of these entities were previously classified as disposal groups held for sale. The gain resulting from this transaction of €146 million was recognised in other income (reported in Airbus Defence and Space Division).

On 14 June 2016, Airbus Group SAS sold approximately 1.33 million shares in **Dassault Aviation**, around 62% to institutional investors and 38% to Dassault Aviation, at a price of €950 per share. The total gain on these transactions amounted to €528 million recognised in other income (reported in "Other / HQ / Conso."). The remaining investment, representing 10% of Dassault Aviation's share capital, is classified as other investments and measured at fair value (see "— Note 19: Other Investments and Other Long-Term Financial Assets"). The resulting gain of €340 million was recognised in other income (reported in "Other / HQ / Conso.") in 2016. The Company also issued bonds exchangeable in Dassault Aviation shares (see "— Note 34: Net Cash"). In the event of exchange in full of the bonds, Airbus will have fully disposed of its Dassault Aviation stake.

On 20 May 2016, Airbus and Safran signed the second phase of the Master Agreement enabling the joint venture **ArianeGroup** (formerly Airbus Safran Launchers, "ASL") to be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems. During the second phase, Safran and Airbus integrated within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems.

On 30 June 2016, Airbus contributed the second phase assets and liabilities in exchange for shares issued by Airbus Safran Launchers Holding, and also sold additional assets in exchange for €750 million in cash. In 2016, Airbus participation in ArianeGroup was accounted for at-equity for a €677 million amount. In 2016, the loss of control in the business resulted in a capital gain of €1,175 million recognised in other income (reported in Airbus Defence and Space Division). Airbus and Safran finalised the respective contribution balance sheet in the third quarter 2016 in alignment with the provision of the Master Agreement. On 31 December 2016, the transfer of the 34.68% of the Centre National d'Études Spatiales (CNES) stake in Arianespace to ArianeGroup was completed. ArianeGroup holds 74% of the shares of Arianespace. This change in the shareholder mix at Arianespace finalises the creation of a new launcher governance in Europe.

The ArianeGroup 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").

6.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2017, Airbus accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 202 million (2016: € 1,148 million). **Disposal group of liabilities classified as held for sale** as of 31 December 2017 amount to € 106 million (2016: € 991 million).

The assets and disposal groups classified as held for sale are mainly related to assets and liabilities from non-core businesses planned to be sold under the strategic portfolio review within Airbus Defence and Space.

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

	31 December	
(In € million)	**2017**	2016
Non-current financial assets	0	13
Non-current other assets	81	354
Inventories	16	428
Trade receivables	74	247
Other assets	26	89
Cash and cash equivalents	5	17
Assets and disposal group of assets classified as held for sale	**202**	**1,148**
Provisions	19	559
Non-current financial liabilities	0	6
Trade liabilities	16	85
Other liabilities	71	341
Disposal group of liabilities classified as held for sale	**106**	**991**

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)	**2017**	2016
Total selling price received by cash and cash equivalents	1,298	2,273
Cash and cash equivalents included in the disposed subsidiaries	(28)	(15)
Total	**1,270**	**2,258**

The aggregate cash flows from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2017 result mainly from the sale of the defence electronics business, the sale of Vector and the completion of ArianeGroup.

The aggregate cash flows from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2016 were mainly from the completion of the creation of ArianeGroup, the sale of Dassault Aviation shares and the sale of business communication entities.

7. Investments Accounted for under the Equity Method

	31 December	
(In € million)	**2017**	2016
Investments in joint ventures	1,485	1,437
Investments in associates	193	171
Investments accounted for under the equity method	**1,678**	**1,608**

Investments accounted for under the equity method increased by +€70 million to €1,678 million (2016: €1,608 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

7.1 Investments in Joint Ventures

The joint ventures in which Airbus 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. Airbus and its partners have rights to the net assets of these entities through the terms of the contractual agreements.

Airbus' interest in its joint ventures, being accounted for under the equity method, is stated in aggregate in the following table:

(In € million)	**2017**	2016
Airbus' interest in equity on investee at beginning of period	**1,437**	**1,264**
New joint ventures (1)	0	595
Result from continuing operations attributable to Airbus	296	182
Other comprehensive income attributable to Airbus	53	(93)
Dividends received during the year	(255)	(195)
Reclassification as asset held for sale	0	(198)
Deconsolidation of investment	0	(112)
Others (2)	(46)	(6)
Carrying amount of the investment at 31 December	**1,485**	**1,437**

(1) In 2016, it includes the impact of the completion of the second phase of the ArianeGroup creation. For more details, see "— Note 6: Acquisitions and Disposals".
(2) In 2017, it includes the impact of the finalisation of the ArianeGroup joint venture transaction. For more details, see "— Note 6: Acquisitions and Disposals".

Airbus' 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 Airbus 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.

Airbus holds a 37.5% stake in **MBDA** at 31 December 2017 and 2016, which is a joint venture between Airbus, 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 Alenia Aermacchi, a Leonardo (formerly Finmeccanica) group company and Airbus. Both Alenia Aermacchi and Airbus provide airframes which are assembled by ATR GIE in France. The members of ATR GIE are legally entitled to the whole 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)	**2017**	2016	**2017**	2016	**2017**	2016
Revenues	3,408	2,227	3,107	2,955	1,600	1,651
Depreciation and amortisation	(112)	(35)	(95)	(92)	(42)	(18)
Interest income	2	2	9	8	0	0
Interest expense	(4)	(2)	(6)	(3)	0	(3)
Income tax expense	(71)	(40)	(92)	(66)	(7)	(3)
Profit from continuing operations	247	102	231	213	265	331
Other comprehensive income	39	(4)	145	(215)	0	14
Total comprehensive income (100%)	**286**	**98**	**376**	**(2)**	**265**	**345**
Non-current assets	5,611	5,324	2,316	2,339	159	147
Current assets	5,335	5,518	7,408	6,425	743	814
thereof cash and cash equivalents	*807*	*797*	*2,818*	*1,890*	*8*	*7*
Non-current liabilities	496	526	1,145	1,357	131	98
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*31*	*35*	*0*	*7*	*0*	*0*
Current liabilities	6,470	6,511	7,966	7,119	426	407
thereof current financial liabilities (excluding trade and other payables and provisions)	*36*	*333*	*55*	*122*	*0*	*0*
Total equity (100%)	**3,980**	**3,805**	**613**	**288**	**345**	**456**
Equity attributable to equity owners of the parent	3,973	3,797	613	288	345	456
Non-controlling interests	7	8	0	0	0	0

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2017**	2016	**2017**	2016	**2017**	2016
Airbus' interest in equity on investee	1,987	1,899	230	108	173	228
Goodwill	244	255	282	282	0	0
PPA adjustments, net of tax	(1,537)	(1,479)	0	0	0	0
Contingent liability release adjustment	(15)	0	0	0	0	0
Fair value adjustments and modifications for differences in accounting policies	10	0	(47)	(14)	0	0
Elimination of downstream inventory	2	2	0	0	(4)	(4)
Carrying amount of the investment at 31 December	**691**	**677**	**465**	**376**	**169**	**224**

The development of these investments is as follows:

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2017**	2016	**2017**	2016	**2017**	2016
Airbus' interest in equity on investee at beginning of period	**677**	**51**	**376**	**394**	**224**	**232**
Result from continuing operations attributable to Airbus	78	38	88	80	133	166
Other comprehensive income attributable to Airbus	13	(2)	54	(82)	(14)	7
Dividends received during the year	(25)	0	(53)	(16)	(174)	(177)
Changes in consolidation	0	590	0	0	0	0
Others	(52)	0	0	0	0	(4)
Carrying amount of the investment at 31 December	**691**	**677**	**465**	**376**	**169**	**224**

Airbus' share of contingent liabilities as of 31 December 2017 relating to MBDA is €308 million (2016: €455 million) and to ArianeGroup is €8 million (2016: €16 million).

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7.2 Investments in Associates

Airbus' interests in associates, being accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2017**	2016 (1)
Airbus' interest in equity on investee at beginning of period	**171**	**62**
Result from continuing operations attributable to Airbus	37	49
Other comprehensive income attributable to Airbus	(7)	(27)
Dividends received during the year	(8)	(10)
Disposal of shares	0	(3)
Changes in consolidation (1)	0	100
Carrying amount of the investment at 31 December	**193**	**171**

(1) In 2016, it included the change in consolidation method of EFW.

The cumulative unrecognised comprehensive loss for these associates amounts to €-47 million and €-108 million as of 31 December 2017 and 2016, respectively (thereof €61 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 as of 31 December	Payables due as of 31 December	Loans granted / Other receivables due as of 31 December	Loans received / Other liabilities due as of 31 December
2017						
Total transactions with associates	7	234	5	39	92	14
Total transactions with joint ventures	2,205	282	989	730	1	1,076
2016						
Total transactions with associates	11	55	4	9	91	6
Total transactions with joint ventures	1,904	488	1,213	203	2	817

Transactions with unconsolidated subsidiaries are immaterial to Airbus' Consolidated Financial Statements.

As of 31 December 2017, Airbus granted guarantees of €152 million to Air Tanker group in the UK (2016: €152 million).

For information regarding the funding of Airbus' 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

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

- **Airbus Commercial Aircraft** — 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.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military Aircraft designs, develops, delivers, and supports military aircraft such as combat, mission, transport and tanker aircraft as well as Unmanned Aerial systems and their associated services. Space Systems designs, develops, delivers, and supports full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Communication, Intelligence & Security provides 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 Airbus' 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 Commercial Aircraft and Airbus Defence and Space and between Airbus Helicopters and Airbus Commercial Aircraft. The holding function of Airbus, the Airbus Bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Other / HQ / Conso.".

Airbus uses EBIT as a key indicator of its economic performance.

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

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	**Consolidated**
Total revenues	50,958	6,450	10,804	68,212	55	68,267
Internal revenues	(919)	(476)	(100)	(1,495)	(5)	(1,500)
Revenues	**50,039**	**5,974**	**10,704**	**66,717**	**50**	**66,767**
Profit before finance costs and income taxes (EBIT)	**3,428**	**337**	**212**	**3,977**	**(556)**	**3,421**
thereof:						
depreciation and amortisation	*(1,593)*	*(209)*	*(429)*	*(2,231)*	*(67)*	*(2,298)*
research and development expenses	*(2,011)*	*(306)*	*(322)*	*(2,639)*	*(168)*	*(2,807)*
share of profit from investments accounted for under the equity method	*144*	*5*	*183*	*332*	*1*	*333*
additions to other provisions (see Note 22)	*(912)*	*(667)*	*(2,319)*	*(3,898)*	*(162)*	*(4,060)*
Interest result						(328)
Other financial result						1,477
Income taxes						(1,693)
Profit for the period						**2,877**

Business segment information for the year ended 31 December 2016 is as follows:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	Consolidated
Total revenues	49,237	6,652	11,854	67,743	57	67,800
Internal revenues	(646)	(448)	(118)	(1,212)	(7)	(1,219)
Revenues	**48,591**	**6,204**	**11,736**	**66,531**	**50**	**66,581**
Profit before finance costs and income taxes (EBIT)	**1,543**	**308**	**(93)**	**1,758**	**500**	**2,258**
thereof:						
depreciation and amortisation	(1,568)	(183)	(483)	(2,234)	(60)	(2,294)
research and development expenses	(2,147)	(327)	(332)	(2,806)	(164)	(2,970)
share of profit from investments accounted for under the equity method	185	6	41	232	(1)	231
additions to other provisions (see Note 22)	(1,395)	(693)	(3,700)	(5,788)	(311)	(6,099)
Interest result						(275)
Other financial result						(692)
Income taxes						(291)
Profit for the period						**1,000**

Segment capital expenditures		
(In € million)	**2017**	2016
Airbus Commercial Aircraft	1,851	2,304
Airbus Helicopters	192	236
Airbus Defence and Space	481	469
Other / HQ / Conso.	34	51
Total capital expenditures [1]	**2,558**	**3,060**

(1) Excluding expenditure for leased assets.

Segment assets	31 December	
(In € million)	**2017**	2016
Airbus Commercial Aircraft	59,678	51,457
Airbus Helicopters	9,124	10,104
Airbus Defence and Space	16,589	16,457
Other / HQ / Conso.	(755)	1,709
Total segment assets	**84,636**	**79,727**
Unallocated		
Deferred and current tax assets	4,512	8,667
Securities	12,571	11,448
Cash and cash equivalents	12,016	10,143
Assets classified as held for sale	202	1,148
Total assets	**113,937**	**111,133**

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

2.4 Airbus Performance

10. Revenues and Gross Margin

Revenues are mainly comprised of sales of goods and services, as well as revenues associated with construction contracts accounted for under the PoC method, contracted research and development and customer financing.

(In € million)	**2017**	2016
Revenues from construction contracts	10,838	10,956
Other revenues [(1)]	55,929	55,625
Total [(2)]	**66,767**	**66,581**
thereof service revenues including sale of spare parts	*8,632*	*9,045*

(1) Includes mainly revenues from sales of commercial aircraft recognised under IAS 18.
(2) For more details, see "— Note 9: Segment Information".

Revenues of €66,767 million (2016: €66,581 million) were stable compared to previous year. An increase at Airbus Commercial Aircraft (€+1,721 million) was mostly driven by higher deliveries of 718 aircraft (in 2016: 688 aircraft), and a favourable foreign exchange impact. A decrease at Airbus Defence and Space (€-1,050 million) was mainly due to perimeter changes for defence activities (see "— Note 6: Acquisitions and Disposals") and includes A400M programme revenues of €1,880 million (2016: €1,702 million).

The **gross margin** increased by €+2,343 million to €7,607 million compared to €5,264 million in 2016, mainly at Airbus Defence and Space and Airbus Commercial Aircraft, reflecting improved business performance. In 2017, there were lower net charges related to the A400M (€1,299 million, compared to €2,210 million in 2016) and A350 XWB programmes (no charge, compared to €385 million in 2016). The gross margin rate increased from 7.9% to 11.4%.

In 2017, Airbus Commercial Aircraft has delivered 78 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2017 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.

19 A400M aircraft were delivered in 2017. In total, 57 aircraft have been delivered as of 31 December 2017.

In 2017, Airbus continued with development activities toward achieving the revised capability roadmap.

As a result of the 2016 detailed contract reviews, Airbus Defence and Space had recorded a charge of €2,210 million in the fiscal year 2016. Given the order of magnitude of the cumulative programme loss, the Board of Directors mandated the management in February 2017 to re-engage with customers to cap the remaining exposure.

In 2017, Airbus 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 results in an update of the loss making contract provision of €1,299 million for the year 2017 (thereof €1,149 million in the fourth quarter 2017). Airbus' remaining exposure going forward is expected to be more limited. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions as per the revised baseline. Airbus intends to turn the DOI into a firm contract within 2018.

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.

Revenues by geographical areas based on the location of the customer are as follows:

(In € million)	**2017**	2016
Europe	16,972	21,377
Asia - Pacific	24,816	21,266
North America	12,611	8,931
Middle East	8,406	8,464
Latin America	990	4,925
Other countries	2,972	1,618
Total	**66,767**	**66,581**

11. Research and Development Expenses

Research and development expenses decreased by -5.5% primarily reflecting R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of €219 million of development costs has been capitalised, mainly related to the A330 Neo and H160 programmes.

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

(In € million)	**2017**	2016
Share of profit from investments in joint ventures	296	182
Share of profit from investments in associates	37	49
Share of profit from investments accounted for under the equity method	**333**	**231**
Other income from investments	**82**	**21**

Share of profit from investments under the equity method and other income from investments increased by €+163 million to €415 million compared to €252 million in 2016.

13. Other Income and Other Expenses

Other income decreased by €-1,708 million to €981 million compared to €2,689 million in 2016. In 2017, it mainly includes the capital gain of €604 million from the sale of the defence electronics business. In 2016, it mainly included the capital gain of €1,175 million following the completion of the creation of ArianeGroup, the capital gain from the sale of Dassault Aviation shares of €528 million and the revaluation at fair value of the remaining investment in Dassault Aviation for €340 million. For more details, see "— Note 6: Acquisitions and Disposals".

Other expenses increased to €-336 million compared to €-254 million in 2016. It includes 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 Airbus' asset management and lending activities is recognised as interest accrues, using the effective interest rate method.

(In € million)	**2017**	2016
Interests on European Governments refundable advances	(270)	(212)
Others	(58)	(63)
Total interest result [(1)]	**(328)**	**(275)**
Change in fair value measurement of financial instruments	373	(370)
Foreign exchange translation of monetary items	219	(220)
Unwinding of discounted provisions	(61)	(65)
Others	946	(37)
Total other financial result	**1,477**	**(692)**
Total	**1,149**	**(967)**

(1) In 2017, the total interest income amounts to € 189 million (in 2016: €247 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 € -517 million (in 2016: € -522 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

Total financial result improved by € +2,116 million to € 1,149 million compared to € -967 million in 2016. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of €+439 million and the revaluation of financial instruments of € +743 million. In addition, it included the impact of the decrease in the European Governments refundable advances primarily related to the A380 programme (see "— Note 23: Other Financial Assets and Other Financial Liabilities").

15. Income Tax

The expense for income taxes is comprised of the following:

(In € million)	**2017**	2016
Current tax expense	(912)	(753)
Deferred tax benefit (expense)	(782)	462
Total	**(1,693)**	**(291)**

Main income tax rates and main changes impacting Airbus:

(Rate in %)	2017	2018	> 2018
Netherlands	25.00	25.00	25.00
France [(1)] [(2)]	34.43	34.43	25.83
Germany	30.00	30.00	30.00
Spain	25.00	25.00	25.00
UK [(3)]	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) A corporate tax surcharge has been enacted at the end of 2017 to increase 2017 income tax rate to 44.43% depending on turnover thresholds. Current income tax has been calculated accordingly for entities above these thresholds.
(3) 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)	**2017**	2016
Profit before income taxes	4,570	1,291
Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	**(1,143)**	**(323)**
Effects from tax rate differentials	(156)	(194)
Capital gains and losses on disposals / mergers (1)	148	655
Income from investments and associates (1)	197	(75)
Tax credit	53	73
Change of tax rate	(82)	(117)
Change in valuation allowances (2)	(396)	(102)
Tax contingencies (1)	(318)	(115)
Other non-deductible expenses and tax-free income (1)	4	(93)
Reported tax (expense)	**(1,693)**	**(291)**

(1) For previous year, certain items have now been presented separately.
(2) It represents reassessments of the recoverability of deferred tax assets based on future taxable profits.

The **income tax** expense of € -1,693 million (2016: € -291 million) corresponds to an effective tax rate of 37.1% (2016: 22.5%).

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%.

In 2016, the effective tax rate was due to the sale of shares of Dassault Aviation and the creation of ASL, both subject to specific tax treatment. These were partially compensated by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016. Without these impacts, the effective tax rate would be approximately 28%.

As Airbus 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 Airbus 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, Airbus assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2017, 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 € 127 million.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of € 10 million (in 2016: € 1 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("*régime d'intégration fiscale*" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in the UK.

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

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2017**	31 December 2016
NOL	804	1,036	454	1,595	380	4,269	4,909
Trade tax loss carry forwards	0	1,051	0	0	0	1,051	1,510
Tax credit carry forwards	0	0	488	55	4	547	460
Tax effect	**277**	**313**	**601**	**326**	**100**	**1,617**	**1,706**
Valuation allowances	(123)	(300)	(236)	(50)	(24)	(733)	(486)
Deferred tax assets on NOL's and tax credit carry forwards	**154**	**13**	**365**	**276**	**76**	**884**	**1,220**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable under certain restrictions in France, Germany, the UK and Spain. 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)	**2017**	2016
Net deferred tax assets at beginning of period	**6,265**	**5,559**
Deferred tax benefit in income statement	(782)	462
Deferred tax recognised directly in AOCI (IAS 39)	(2,881)	(7)
Deferred tax on remeasurement of the net defined benefit pension plans	(26)	365
Others	41	(114)
Net deferred tax assets at 31 December	**2,617**	**6,265**

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

(In € million)	**2017**	2016
Available-for-sale investments	(124)	(97)
Cash flow hedges	(238)	2,616
Deferred tax on remeasurement of the net defined benefit pension plans	1,652	1,678
Total	**1,290**	**4,197**

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 / IAS 19	Others [1]	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Intangible assets	70	(610)	0	16	0	9	70	(585)
Property, plant and equipment	741	(1,384)	0	(48)	0	115	681	(1,257)
Investments and other long-term financial assets	197	(306)	0	34	0	450	542	(167)
Inventories	1,140	(1,327)	0	28	0	(803)	899	(1,861)
Receivables and other assets	2,007	(1,167)	(918)	(19)	0	(625)	2,542	(3,264)
Prepaid expenses	1	0	0	0	0	(3)	0	(2)
Provision for retirement plans	1,420	0	(34)	32	0	62	1,480	0
Other provisions	3,876	(1,435)	0	0	0	11	3,695	(1,243)
Liabilities	4,785	(2,688)	(2,159)	(2)	0	545	2,696	(2,215)
Deferred income	105	(71)	0	(18)	0	(19)	68	(71)
NOL and tax credit carry forwards	1,706	0	0	0	39	(128)	1,617	0
Deferred tax assets (liabilities) before offsetting	**16,048**	**(8,988)**	**(3,111)**	**23**	**39**	**(386)**	**14,290**	**(10,665)**
Valuation allowances on deferred tax assets	(795)	0	204	(21)	0	(396)	(1,008)	0
Set-off	(7,696)	7,696	0	0	0	0	(9,684)	9,684
Net deferred tax assets (liabilities)	**7,557**	**(1,292)**	**(2,907)**	**2**	**39**	**(782)**	**3,598**	**(981)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

2

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement		31 December 2016	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others (1)	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Intangible assets	53	(538)	0	16	0	(71)	70	(610)
Property, plant and equipment	832	(1,353)	0	8	0	(130)	741	(1,384)
Investments and other long-term financial assets	186	(157)	(10)	(46)	0	(82)	197	(306)
Inventories	1,333	(752)	0	111	0	(879)	1,140	(1,327)
Receivables and other assets	837	(2,615)	(4)	21	0	2,601	2,007	(1,167)
Prepaid expenses	3	(1)	0	0	0	(1)	1	0
Provision for retirement plans	1,519	0	393	(77)	0	(415)	1,420	0
Other provisions	1,999	(627)	0	14	0	1,055	3,876	(1,435)
Liabilities	4,007	(440)	1	(71)	0	(1,400)	4,785	(2,688)
Deferred income	98	(74)	0	(7)	0	17	105	(71)
NOL and tax credit carry forwards	1,849	0	0	(91)	81	(133)	1,706	0
Deferred tax assets (liabilities) before offsetting	**12,716**	**(6,557)**	**380**	**(122)**	**81**	**562**	**16,048**	**(8,988)**
Valuation allowances on deferred tax assets	(600)	0	(22)	(15)	(58)	(100)	(795)	0
Set-off	(5,357)	5,357	0	0	0	0	(7,696)	7,696
Net deferred tax assets (liabilities)	**6,759**	**(1,200)**	**358**	**(137)**	**23**	**462**	**7,557**	**(1,292)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

16. Earnings per Share

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	€2,873 million	€995 million
Weighted average number of ordinary shares	773,772,702	773,798,837
Basic earnings per share	€3.71	€1.29

Diluted earnings per share — Airbus' 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. In 2016, it also included the last Stock Option Plan ("SOP") expired in December 2016. During 2017, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 505,536 shares (in 2016: 287,807 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 2017, by adding back €7 million of interest expense to the profit for the period attributable to equity owners of the parent (2016: €7 million) and by including 5,022,990 of dilutive potential ordinary shares.

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	€2,880 million	€1,002 million
Weighted average number of ordinary shares (diluted) (1)	779,301,228	779,109,634
Diluted earnings per share	€3.70	€1.29

(1) 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.

Intangible assets as of 31 December 2017 and 2016 comprise the following:

	31 December 2017			1 January 2017		
(In € million)	Gross amount	Amortisation / Impairment	Net book value	Gross amount	Amortisation / Impairment	Net book value
Goodwill	10,180	(1,040)	9,141	10,498	(1,073)	9,425
Capitalised development costs	3,104	(1,340)	1,763	2,871	(1,164)	1,707
Other intangible assets	3,135	(2,409)	725	3,399	(2,463)	936
Total	**16,418**	**(4,789)**	**11,629**	**16,768**	**(4,700)**	**12,068**

Net Book Value

(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").

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification [1]	Disposals [1]	Amortisation / Impairment	Balance at 31 December 2016
Goodwill	9,907	(11)	89	52	(102)	(510)	0	9,425
Capitalised development costs	1,659	(38)	311	3	(19)	0	(209)	1,707
Other intangible assets	989	10	199	21	(15)	(26)	(242)	936
Total	**12,555**	**(39)**	**599**	**76**	**(136)**	**(536)**	**(451)**	**12,068**

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

Intangible assets decreased by €-439 million to €11,629 million (2016: €12,068 million) mainly due to the disposal of Vector. Intangible assets mainly relate to goodwill of €9,141 million (2016: €9,425 million).

Development Costs

Airbus has capitalised development costs in the amount of €1,763 million as of 31 December 2017 (€1,707 million as of 31 December 2016), mainly for the Airbus Commercial Aircraft A350 XWB (€762 million) and A380 (€300 million) programmes. The amortisation for the A380 and A350 XWB programmes development costs is performed on a unit of production basis.

Impairment Tests

Airbus assesses each year 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 each financial year 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 about future developments.

As of 31 December 2017 and 2016, goodwill was allocated to CGUs or group of CGUs, and is summarised in the following schedule:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Other / HQ	Consolidated
Goodwill as of 31 December 2017	6,838	129	2,160	14	9,141
Goodwill as of 31 December 2016	6,873	308	2,230	14	9,425

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

The annual impairment tests performed in 2017 led to no impairment charge.

The revised commercial outlook for the A380 programme has not triggered any impairment losses for capitalised development costs or jigs and tools dedicated to the programme.

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 Airbus' 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% (2016: 2%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2016: 1.25 US$/€) to convert in euro the portion of future US dollar which are not hedged (see "— Note 35: Information about Financial Instruments);

General economic data derived from external macroeconomic and financial studies has 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 the individual CGUs.

Airbus Commercial Aircraft

- 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 2017. 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 huge hedge portfolio, the carrying value and the planned cash flows of the CGU Airbus Commercial Aircraft are materially influenced.
- Cash flows are discounted using a euro weighted WACC of 9.6% (2016: 6.9%).

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. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease of last three 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 WACC of 9.7% (2016: 6.7%).

Airbus Defence and Space

After a successful restructuring and portfolio review, Airbus Defence and Space's focus for the planning period is to increase business and profitability while implementing a growth strategy to pave the way for future upsides.

- 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 WACC of 8.3% (2016: 6.5%).

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 2017 and 2016 comprises the following:

	31 December 2017			1 January 2017		
(In € million)	Gross amount	Depreciation / Impairment	Net book value (1)	Gross amount	Depreciation / Impairment	Net book value (1)
Land, leasehold improvements and buildings including buildings on land owned by others	9,542	(4,452)	5,091	9,444	(4,252)	5,192
Technical equipment and machinery	21,004	(12,938)	8,066	20,331	(12,076)	8,255
Other equipment, factory and office equipment (2)	3,693	(2,754)	939	3,933	(2,939)	994
Construction in progress	2,514	0	2,514	2,472	0	2,472
Total	**36,753**	**(20,144)**	**16,610**	**36,180**	**(19,267)**	**16,913**

(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 €359 million (2016: €356 million).

Net Book Value

(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").

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification [1]	Disposals [1]	Depreciation / Impairment	Balance at 31 December 2016
Land, leasehold improvements and buildings including buildings on land owned by others	5,169	(61)	67	(3)	349	(37)	(292)	5,192
Technical equipment and machinery	8,350	(263)	531	20	1,059	(137)	(1,305)	8,255
Other equipment, factory and office equipment	1,034	(5)	419	2	109	(351)	(214)	994
Construction in progress	2,574	(88)	1,788	1	(1,615)	(188)	0	2,472
Total	**17,127**	**(417)**	**2,805**	**20**	**(98)**	**(713)**	**(1,811)**	**16,913**

(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 decreased by € -303 million to € 16,610 million (2016: € 16,913 million) mainly at Airbus Helicopters (€ -210 million), primarily driven by the disposal of Vector.

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

Property, Plant and Equipment by Geographical Areas

	31 December	
(In € million)	**2017**	2016
France	7,222	7,263
Germany	4,649	4,348
UK	2,193	2,472
Spain	1,613	1,636
Other countries	881	1,078
Property, plant and equipment by geographical areas [1]	**16,558**	**16,797**

(1) Property, plant and equipment by geographical areas excludes leased assets of €52 million (2016: €116 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" (€257 million as of 31 December 2017, 2016: €310 million).

Future nominal operating lease payments (for Airbus as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to €1,025 million as of 31 December 2017 (2016: €768 million), and relate mainly to procurement operations (*e.g.* facility leases).

Maturities as of 31 December 2017 and 2016 are as follows:

	31 December	
(In € million)	**2017**	2016
Not later than 1 year	202	159
Later than 1 year and not later than 5 years	516	397
Later than 5 years	307	212
Total	**1,025**	**768**

19. Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2017**	2016
Other investments	2,441	2,091
Other long-term financial assets	1,763	1,564
Total non-current other investments and other long-term financial assets	**4,204**	**3,655**
Current portion of other long-term financial assets	**529**	**522**
Total	**4,733**	**4,177**

Other investments mainly comprise Airbus' participations. The significant participations at 31 December 2017 include the remaining investment in Dassault Aviation (Airbus share: 9.93%, 2016: 10.0%) amounting to €1,071 million (2016: €876 million).

Other long-term financial assets and the **current portion of other long-term financial assets** encompass other loans in the amount of €1,521 million and €1,147 million as of 31 December 2017 and 2016, and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

20. Inventories

	31 December 2017			31 December 2016		
(In € million)	**Gross amount**	**Write-down**	**Net book value**	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,135	(484)	2,651	3,288	(508)	2,780
Work in progress	29,100	(6,448)	22,652	27,304	(6,246)	21,058
Finished goods and parts for resale	3,465	(612)	2,853	3,374	(624)	2,750
Advance payments to suppliers	3,374	(66)	3,308	3,155	(55)	3,100
Total	**39,074**	**(7,610)**	**31,464**	**37,121**	**(7,433)**	**29,688**

Inventories of €31,464 million (2016: €29,688 million) increased by €+1,776 million. This is driven by Airbus Commercial Aircraft (€+2,354 million), and mainly reflects an increase in work in progress associated with A350 XWB ramp-up. This increase was partly compensated by a decrease in Airbus Helicopters (€-455 million), mainly related to the disposal of Vector (see "— Note 6: Acquisitions and Disposals").

Write-downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2017, write-downs of inventories in the amount of €-126 million (2016: €-306 million) are recognised in cost of sales, whereas reversal of write-downs amounts to €117 million (2016: €217 million). At 31 December 2017 €10,526 million of work in progress and €2,383 million of finished goods and parts for resale were carried at net realisable value.

Inventories recognised as an expense during the period amount to €47,065 million (2016: €47,835 million).

21. Trade Receivables and Trade Liabilities

Trade receivables arise when Airbus 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 price and are subsequently measured at amortised cost less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statements when the receivables are derecognised or impaired as well as through the amortisation process.

Allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

Assets and liabilities relative to constructions contracts — In the construction contract business, an asset or liability is classified as current when the item is realised or settled within Airbus' normal operating cycle for such contracts and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business such as trade receivables and payables and receivables from the PoC method, that are settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

Trade Receivables

	31 December	
(In € million)	**2017**	2016
Receivables from sales of goods and services	8,628	8,366
Allowance for doubtful accounts	(270)	(265)
Total	**8,358**	**8,101**
thereof trade receivables not expected to be collected within 1 year	*964*	*1,153*

Trade receivables of €8,358 million (2016: €8,101 million) increased by €+257 million, mainly in Airbus Commercial Aircraft.

In application of the **PoC method**, as of 31 December 2017 an amount of €2,917 million (2016: €2,882 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses)** to date amounts to €76,235 million (2016: €73,017 million).

The **gross amount due from customers** for contract work, on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings. In 2017, it amounts to €8,220 million (2016: €7,887 million). Due to the nature of certain contracts and the respective recognition of revenues, these incurred costs also include associated work in progress and respective contract losses.

The **gross amount due to customers** for contract work on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). In 2017, the gross amount due to customers amounts to €350 million (2016: €87 million).

The respective movement in the allowance for doubtful accounts in respect of trade receivables during the year was as follows:

(In € million)	**2017**	2016
Allowance balance at beginning of period	(265)	(276)
Foreign currency translation adjustment	1	(1)
Utilisations / disposals	38	39
Additions	(44)	(27)
Allowance balance at 31 December	**(270)**	**(265)**

Trade Liabilities

Trade liabilities of €13,444 million (2016: €12,532 million) increased by €+912 million, mainly in Airbus Commercial Aircraft.

As of 31 December 2017, trade liabilities amounting to €24 million (2016: €133 million) will mature after more than one year.

22. Provisions, Contingent Assets and Contingent Liabilities

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, 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)	**2017**	2016
Provisions for pensions (see Note 29)	8,361	8,656
Other provisions	8,367	8,313
Total	**16,728**	**16,969**
thereof non-current portion	*10,153*	*10,826*
thereof current portion	*6,575*	*6,143*

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles and the strong performance of plan assets.

Other provisions are presented net of programme losses against inventories (see "— Note 20: Inventories").

Movements in other provisions during the year were as follows:

(In € million)	Balance at 1 January 2017	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2017**
Contract losses	1,151	(2)	0	1,512	(185)	(1,017)	(21)	1,438
Outstanding costs	2,160	(13)	0	858	10	(886)	(164)	1,965
Aircraft financing risks (1)	594	(81)	38	24	3	(33)	(16)	529
Obligation from services and maintenance agreements	591	0	8	56	0	(128)	(35)	492
Warranties	339	0	1	69	(4)	(73)	(29)	303
Personnel-related provisions	1,020	(4)	2	413	22	(388)	(46)	1,019
Litigation and claims	122	(1)	0	237	0	(62)	(8)	288
Asset retirement	166	0	8	5	0	0	(21)	158
Other risks and charges	2,170	(4)	0	886	(232)	(302)	(343)	2,175
Total	**8,313**	**(105)**	**57**	**4,060**	**(386)**	**(2,889)**	**(683)**	**8,367**

(1) See "— Note 25: Sales Financing Transactions".

Provisions for contract losses in 2017 mainly includes the A400M programme provisions after netting against inventories. The additions include the net charge of €1,299 million for the A400M programme before netting with work in progress. Reclassification / Change in consolidated group mainly relates to the offsetting of the A400M programme contract provision to respective inventories (see "— Note 10: Revenues and Gross Margin" and "— Note 20: Inventories").

The majority of the addition to **provisions for outstanding costs** relates to Airbus Helicopters (€489 million), mainly for the NH90 and Tiger programmes, as well as to Airbus Defence and Space (€315 million), and corresponds among others to the Eurofighter programme and to diverse tasks to complete on construction contracts.

Provisions for litigations and claims in 2017 includes 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 to determine the precise cause of the accident. An estimate of the related net future costs has been prepared and is included in **other provisions.**

Contingent assets and contingent liabilities — Airbus is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, Airbus has subscribed a Global Aviation Insurance Programme ("GAP"). Information required under IAS 37 "Provisions, contingent liabilities and contingent assets" is not disclosed if Airbus 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: Revenues 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)	**2017**	2016
Positive fair values of derivative financial instruments [1]	2,901	893
Others	79	83
Total non-current other financial assets	**2,980**	**976**
Receivables from related companies	992	517
Positive fair values of derivative financial instruments [1]	663	258
Others	324	482
Total current other financial assets	**1,979**	**1,257**
Total	**4,959**	**2,233**

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

Other Financial Liabilities

	31 December	
(In € million)	**2017**	2016
Liabilities for derivative financial instruments [1]	1,127	6,544
European Governments refundable advances	5,537	6,340
Others	284	429
Total non-current other financial liabilities	**6,948**	**13,313**
Liabilities for derivative financial instruments [1]	1,144	4,476
European Governments refundable advances [2]	364	730
Liabilities to related companies	334	116
Others	343	439
Total current other financial liabilities	**2,185**	**5,761**
Total	**9,133**	**19,074**
thereof other financial liabilities due within 1 year	*2,125*	*5,761*

(1) See "— Note 35: Information about Financial Instruments".
(2) Refundable advances from European Governments are provided to Airbus 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 improved by €+11,162 million to €+1,293 million (2016: €-9,869 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.

The European Governments refundable advances decreased by €-1,169 million to €5,901 million (2016: €7,070 million), primarily related to the update of the valuation of refundable advances from European Governments on A380 programme to reflect the revised commercial outlook of the programme and current status of discussions with Nations on RLI agreements restructuring. The corresponding impact is recorded in the financial result (see "— Note 14: Total Financial Result").

24. Other Assets and Other Liabilities

Other Assets

	31 December	
(In € million)	**2017**	2016
Prepaid expenses	2,210	2,265
Others	86	93
Total non-current other assets	**2,295**	**2,358**
Value added tax claims	1,892	1,589
Prepaid expenses	639	552
Others	376	435
Total current other assets	**2,907**	**2,576**
Total	**5,202**	**4,934**

Other Liabilities

	31 December	
(In € million)	**2017**	2016
Customer advance payments	16,659	15,714
Others	531	565
Total non-current other liabilities	**17,190**	**16,279**
Customer advance payments [(1)]	25,284	24,115
Tax liabilities (excluding income tax)	1,397	1,047
Others	2,512	2,373
Total current other liabilities	**29,193**	**27,535**
Total	**46,383**	**43,814**
thereof other liabilities due within 1 year	*28,225*	*26,562*

(1) Of which €5,449 million (2016: €6,318 million) relate to construction contracts, mainly in Airbus Defence and Space (2017: €4,568 million and 2016: €5,001 million) and Airbus Helicopters (2017: €895 million and 2016: €1,317 million).

25. Sales Financing Transactions

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

On-balance sheet transactions where Airbus Commercial Aircraft is lessor are classified as operating leases, finance leases and loans, inventory 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 Revenues 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, revenues 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) Inventory — 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 inventory held for resale if there is no subsequent lease agreement in force (see "— Note 20: 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 Commercial Aircraft, 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 Commercial Aircraft 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 2029. It is management policy that the present value of the guarantee given does not exceed 10% of the sales price of the aircraft.

    As of 31 December 2017, the nominal value of asset value guarantees provided to beneficiaries amounts to €722 million (2016: €836 million), excluding €30 million (2016: €51 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 provisions recognised for asset value risks of €519 million (2016: €580 million) (see "— Note 22: Provisions, Contingent Assets and Contingent 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 2017 and 2016.

Exposure — In terms of risk management, Airbus 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 Airbus' 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 Statements of Financial Position may have been adjusted for impairment losses.

Gross Customer Financing Exposure amounts to US$ 1.7 billion (€1.4 billion) (2016: US$ 1.8 billion (€1.7 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. Impairment allowances are recognised for finance leases and loans when their carrying amounts exceed 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, Airbus benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

Airbus 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 Airbus acts as a lender to such structured entities, it may take the role of the senior lender or the provider of subordinated loan. Airbus 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 2017 the carrying amount of its loans from aircraft financing amounts to €695 million (2016: €732 million). This amount also represents Airbus' 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 revenues, and the **future minimum lease payments** (undiscounted) **from investments in finance leases** to be received in settlement of the outstanding receivable at 31 December 2017 are as follows:

(In € million)	Aircraft under operating lease	Finance lease receivables [1]
Not later than 1 year	16	59
Later than 1 year and not later than 5 years	42	21
Later than 5 years	0	0
31 December 2017	**58**	**80**

(1) Includes €4 million of unearned finance income.

Off-Balance Sheet Commitments

Operating head-lease commitments comprise operating lease payments due by Airbus Commercial Aircraft as lessee under head-lease transactions. As of 31 December 2017 and as of 31 December 2016, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
(In € million)	**2017**	2016
Not later than 1 year	28	52
Later than 1 year and not later than 5 years	16	48
Later than 5 years	0	0
Total aircraft lease commitments [1]	**44**	**100**
thereof commitments where the transaction has been sold to third parties	(44)	(100)
Total aircraft lease commitments where Airbus bears the risk (not discounted)	**0**	**0**

(1) Backed by sublease income from customers with an amount of €40 million in 2017 (2016: €75 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)	**2017**	2016
Loans	29	45
Liabilities to financial institutions	0	0
Total sales financing liabilities	**29**	**45**

Customer Financing Cash Flows

Direct customer financing cash flows amount to € -100 million in 2017 (2016: € -252 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 2017 and 2016 are as follows:

	31 December 2017			31 December 2016		
(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Total	Airbus Commercial Aircraft	Airbus Helicopters	Total
Operating leases [1]	107	34	141	169	44	213
Finance leases and loans	839	97	936	1,094	54	1,148
Inventories	149	0	149	208	0	208
Other investments	25	0	25	28	0	28
On-balance sheet customer financing	**1,120**	**131**	**1,251**	**1,499**	**98**	**1,597**
Off-balance sheet customer financing	144	4	148	182	21	203
Non-recourse transactions on balance sheet	0	0	0	(109)	0	(109)
Gross Customer Financing Exposure	**1,264**	**135**	**1,399**	**1,572**	**119**	**1,691**
Collateral values	(953)	(64)	(1,017)	(1,157)	(60)	(1,217)
Net exposure	**311**	**71**	**382**	**415**	**59**	**474**
Operating leases	(68)	(21)	(89)	(89)	(9)	(98)
Finance leases and loans	(115)	(50)	(166)	(158)	(50)	(208)
On-balance sheet commitments - inventories	(119)	0	(119)	(154)	0	(154)
Off-balance sheet commitments - provisions [2]	(8)	0	(8)	(14)	0	(14)
Asset impairment and provisions	**(311)**	**(71)**	**(382)**	**(415)**	**(59)**	**(474)**

(1) For 2017 and 2016, depreciation amounts to €11 million and €12 million respectively and related accumulated depreciation is €53 million and €84 million respectively.
(2) See "— Note 22: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

26. Number of Employees

	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ	Consolidated
31 December 2017	74,542	20,108	32,171	126,821	2,621	129,442
31 December 2016	73,852	22,507	34,397	130,756	3,026	133,782

27. Personnel Expenses

(In € million)	**2017**	2016
Wages, salaries and social contributions	12,629	12,595
Net periodic pension cost (see Note 29.1)	511	533
Total	**13,140**	**13,128**

28. Personnel-Related Provisions

Several German Airbus 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 2017	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2017**
Restructuring measures / pre-retirement part-time work	365	(1)	0	92	(3)	(91)	(16)	346
Other personnel charges	655	(3)	2	321	25	(297)	(30)	673
Total	**1,020**	**(4)**	**2**	**413**	**22**	**(388)**	**(46)**	**1,019**

A restructuring provision associated with the re-organisation of Airbus 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 Airbus and the works council in June 2017. The German social plan was agreed between Airbus and the works councils in September 2017, however the reconciliation of interest is still under discussion.

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.

29. Post-Employment Benefits

	31 December	
(In € million)	**2017**	2016
Provisions for retirement plans	7,127	7,749
Provisions for deferred compensation	1,234	907
Retirement plans and similar obligations	**8,361**	**8,656**

29.1 Provisions for Retirement Plans

When Airbus employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which Airbus 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 salaries* ("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 — Airbus 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.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund *("Unterstützungskasse")*, Airbus 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 Airbus 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 Airbus companies 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, Airbus 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. Airbus' 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 Airbus 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, Airbus 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, Airbus 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 Airbus 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. Airbus considers the likelihood of this event as remote. However, for the Main Scheme Airbus considers that its obligation is in principle limited to that related to its section.

Risks

The DBO exposes Airbus 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. A fixed interest rate has been agreed for the deferred compensation plan P3, which is financed by the employees.

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 2017 are as follows:

	Pension plans in							
	Germany		France		UK		Participation in BAE Systems Pension Scheme (UK)	
(Rate in %)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate	1.7	1.7	1.7	1.9	2.5	2.7	2.5	2.6
Rate of compensation increase	2.8	2.75	2.5	2.5	2.6	2.6	2.6	2.6
Rate of pension increase	1.5	1.7	- / 1.7	- / 1.7	3.0	3.0	2.9	3.1
Inflation rate	1.5	1.7	1.7	1.7	3.1	3.1	3.1	3.1

For Germany and France, Airbus 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 “2005 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:

	DBO			Plan assets			
(In € million)	Pension plans of Airbus	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of Airbus	Participation in BAE Systems Pension Scheme in the UK	Total	Total provisions
Balance as of 1 January 2016	**10,392**	**3,447**	**13,839**	**(4,431)**	**(2,541)**	**(6,972)**	**6,867**
Service cost	316	63	379	0	0	0	379
Interest cost and income	251	119	370	(126)	(90)	(216)	154
Settlements	(4)	0	(4)	0	0	0	(4)
Remeasurements: Actuarial (gains) and losses arising							
from changes in demographic assumptions	6	0	6	0	0	0	6
from changes in financial assumptions	1,027	786	1,813	0	0	0	1,813
from changes in experience adjustments	158	0	158	0	0	0	158
from plan assets	0	0	0	(179)	(296)	(475)	(475)
Change in consolidation, transfers and others	(530)	2	(528)	44	0	44	(484)
Benefits paid	(348)	(79)	(427)	132	79	211	(216)
Contributions by employer and other plan participants	0	0	0	(104)	(167)	(271)	(271)
Foreign currency translation adjustment	(164)	(530)	(694)	133	383	516	(178)
Balance as of 31 December 2016	**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)
Change 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 adjustment	(41)	(132)	(173)	35	96	131	(42)
Balance as of 31 December 2017	**11,299**	**3,571**	**14,870**	**(4,911)**	**(2,832)**	**(7,743)**	**7,127**

The funding of the plans is as follows:

	31 December			
	2017		2016	
(In € million)	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	1,563	0	1,577	0
Funded pension plans (partial)	13,307	(7,743)	13,335	(7,163)
Total	**14,870**	**(7,743)**	**14,912**	**(7,163)**

In 2017, contributions in the amount of €300 million (2016: €104 million) are made into the pension plans of Airbus, mainly relating to the Contractual Trust Arrangement of €187 million (2016: €0 million), the Airbus UK scheme for €77 million (2016: €50 million) and the relief fund in Germany for €35 million (2016: €50 million).

Contributions of approximately €350 million are expected to be made in 2018.

The weighted average duration of the DBO for retirement plans and deferred compensation is 17 years at 31 December 2017 (31 December 2016: 16 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	57%	16%	27%
Participation in BAE Systems Pension Scheme (Main Scheme)	73%	14%	13%

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 2017:

	Change in actuarial assumptions	Impact on DBO	
		Change as of 31 December	
		2017	2016
Present value of the obligation		16,232	15,930
Discount rate	Increase by 0.5%-point	(1,228)	(1,197)
	Decrease by 0.5%-point	1,359	1,322
Rate of compensation increase	Increase by 0.25%-point	111	106
	Decrease by 0.25%-point	(196)	(279)
Rate of pension increase	Increase by 0.25%-point	283	342
	Decrease by 0.25%-point	(356)	(486)
Life expectancy	Increase by 1 year	369	287
	Reduction by 1 year	(455)	(461)

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:

(In € million)	2017 Quoted prices	2017 Unquoted prices	2017 Total	2016 Quoted prices	2016 Unquoted prices	2016 Total
Equity securities						
Europe	1,157	3	1,160	1,112	0	1,112
Rest of the world	511	48	559	5	0	5
Emerging markets	281	0	281	248	0	248
Global	1,188	0	1,188	1,474	0	1,474
Bonds						
Corporates	1,250	591	1,841	1,877	0	1,877
Governments	1,310	74	1,384	1,464	0	1,464
Pooled investment vehicles	16	280	296	17	288	305
Commodities	115	0	115	161	0	161
Hedge funds	332	196	528	236	0	236
Derivatives	0	(54)	(54)	0	(60)	(60)
Property	92	284	376	337	3	340
Cash and money market funds	43	0	43	62	0	62
Others	216	(40)	176	209	(142)	67
Balance as of 31 December	**6,511**	**1,382**	**7,893**	**7,202**	**89**	**7,291**

The majority of funded plans apply broadly an asset-liability matching framework. The strategic asset allocation ("SAA") 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 2017 consists of fixed income instruments, equities, although Airbus also invests in property, commodities and hedge funds. Airbus 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 SAA.

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

(In € million)	Pension plans of Airbus: Germany	France	UK	Others	Participation in BAE Systems Pension Scheme in the UK	Total
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 as of 31 December 2017	**4,603**	**1,623**	**162**	**0**	**739**	**7,127**
DBO	8,227	1,643	1,223	11	3,808	14,912
Plan assets	3,514	17	1,000	0	2,632	7,163
Recognised as of 31 December 2016	**4,713**	**1,626**	**223**	**11**	**1,176**	**7,749**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2017 amounted to €677 million (2016: €703 million).

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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:

	2017			2016		
(In € million)	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance as of 1 January	**1,018**	**(128)**	**890**	**841**	**(113)**	**728**
Service cost	135	0	135	118	0	118
Interest cost	17	0	17	20	0	20
Interest income	0	(3)	(3)	0	(3)	(3)
Remeasurements: Actuarial (gains) and losses arising						
from changes in financial assumptions	5	0	5	0	0	0
from changes in demographic assumptions	174	0	174	0	0	0
from changes in experience adjustments	34	0	34	35	0	35
from plan assets	0	(3)	(3)	91	2	93
Transfer and change in consolidation	(13)	(1)	(14)	(80)	1	(79)
Benefits paid	(8)	0	(8)	(7)	0	(7)
Contributions	0	(15)	(15)	0	(15)	(15)
Balance as of 31 December	**1,362**	**(150)**	**1,212**	**1,018**	**(128)**	**890**

Recognised as

	31 December	
(In € million)	**2017**	2016
Provisions	1,234	907
Non-current and current other assets	22	17
Total	**1,212**	**890**

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, is covered by securities. Trust agreements between the trust and the participating companies stipulate that some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115% leading to an overfunding of the related part of the obligation. These amounts are recognised as non-current and current other assets.

30. Share-Based Payment

Share-based compensation — Until 2015, Airbus 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 Airbus 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, Airbus 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.

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, Airbus offers its employees the Company 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 Airbus' Consolidated Income Statements with a corresponding increase in equity.

30.1 LTIP

In the years 2012 to 2015, the Board of Directors of Airbus approved the granting of LTIP Performance and Restricted Units. In 2017 and 2016, it approved an LTIP Performance Units and Performance Share Plan.

Airbus hedges the share price risk inherent in the cash-settled LTIP units by entering equity swaps where the reference price is based on the Airbus share price. To the extent that LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps.

In 2017, compensation expense for LTIPs including the effect of the equity swaps amounted to €88 million (2016: €35 million).

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2017):

Expected vesting date *(In € per unit / share granted)*	Fair value of Performance Units and Shares
May 2021 - Performance Shares	76.76
May 2021 - Performance Units	74.83
May 2022 - Performance Units	71.69

As of 31 December 2017, provisions of €183 million (2016: €179 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 (€83.00 as of 31 December 2017) and the lifetime of the units.

As of 31 December 2016, all SOPs had expired. No stock options were exercised in 2017.

The principal characteristics of the LTIPs as at 31 December 2017 are summarised below:

	LTIP 2012		LTIP 2013		LTIP 2014		LTIP 2015		LTIP 2016		LTIP 2017	
Grant date (1)	13 December 2012		17 December 2013		13 November 2014		29 October 2015		25 October 2016		30 October 2017	
	Performance and Restricted Unit Plan								Performance Plan			
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares
Number of units granted (2)	2,123,892	621,980	1,245,052	359,060	1,114,962	291,420	926,398	240,972	615,792	621,198	421,638	425,702
Number of units outstanding	0	0	440,591	167,386	834,572	275,070	890,248	238,386	605,789	611,225	421,638	425,702
Total number of eligible beneficiaries	1,797		1,709		1,621		1,564		1,671		1,601	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of four payments (from the LTIP 2014 onwards two payments) over two years.											
Share price per unit limited at the vesting dates to (3)	€ 55.66		€ 92.34		€ 94.90		€ 112.62		€ 105.34	-	€ 147.62	-
Vesting dates	25% each: in May 2016 in November 2016 in May 2017 in November 2017		25% each: in May 2017 in November 2017 25% each expected: in May 2018 in November 2018		50% each expected: in June 2018 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
Number of vested units	1,744,570	568,495	424,425	169,254	5,580	2,060	2,606	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 Airbus) 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) 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 € 27.83 (for LTIP 2012), € 46.17 (for LTIP 2013), € 47.45 (for LTIP 2014), € 56.31 (for LTIP 2015), € 52.67 (for LTIP 2016) and € 73.81 (for LTIP 2017).

30.2 ESOP

In 2017 and 2016, 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 (2017: 5, 20, 30, 50 or 100 shares; 2016: 4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (2017: 4, 8, 10, 13 and 25 free shares, respectively; 2016: 4, 5, 7, 11, 16 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 Company 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 21 February 2017 (2016: 23 February 2016) and amounted to €67.24 (2016: €55.41). 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 21 February 2017 (2016: 23 February 2016), resulting in a price of €64.44 (2016: €54.31). The Company issued and sold 411,710 ordinary shares (2016: 485,048) with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €28 million (2016: €27 million) was recognised in connection with ESOP.

31. Remuneration

31.1 Remuneration – Executive Committee

Airbus' 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)	**2017**	2016
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	25.4	28.4
Post-employment benefit costs	6.9	6.1
Share-based remuneration ("LTIP award", including associated hedge result)	8.8	20.5
Termination benefits	10.9	0
Other benefits	0.6	0.7
Social charges	7.1	5.5
Non-Executive Board Members		
Short-term benefits (including social charges)	2.1	1.8
Total expense recognised	**61.8**	**63.0**

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 2017 for Executive Committee Members based on estimated performance achievement at year-end was € 12.5 million (2016: € 13.4 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 €78.6 million at 31 December 2017 (2016: €85.5 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 Airbus LTIP which are remeasured to fair value as far as they are cash-settled.

In 2017, the Members of the Executive Committee were granted 53,108 Performance Units (2016: 85,386) and 57,172 Performance Shares (2016: 91,082) for LTIP 2017, the respective fair value of these Performance Units and Shares at the respective grant dates was €8.76 million (2016: €8.76 million). Fair value of outstanding LTIP balances at the end of 2017 for all Executive Committee Members was € 17.4 million (2016: € 14.5 million). The total number of outstanding Performance and Restricted Units amounted to 384,867 at 31 December 2017 (2016: 467,245), 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 Airbus, 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.

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

	LTIP 2012 (1)	LTIP 2013 (2)	LTIP 2014 (3)	LTIP 2015
Total number of units granted	245,551	152,250	159,448	189,476
Number of cash-settled units	177,933	103,725	117,816	143,217
Number of equity-settled units	67,718	48,525	41,632	46,259
Date of conversion	28 February 2013	28 February 2014	28 February 2015	28 February 2016
Share price at date of conversion	€39.70	€53.39	€55.33	€59.78

(1) Based on performance achievement of 89% for Performance Units under LTIP 2012.
(2) Based on performance achievement of 75% for Performance Units under LTIP 2013.
(3) Based on performance achievement of 80% for Performance Units under LTIP 2014.

As of 31 December 2016, all SOPs had expired. No stock options were exercised in 2017.

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 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 2017 or 2016, respectively.

31.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2017 and 2016, can be summarised as follows:

(In €)	**2017**	2016
Base salary	1,500,000	1,500,000
Annual variable pay	1,912,500	2,062,000
Post-employment benefits costs	1,175,057	1,075,888
Share-based remuneration ("LTIP award") (1)	1,551,666	1,528,732
Termination benefits	2,900,000	0
Other benefits	63,250	71,755
Social charges	12,012	11,668

(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 2017 was €1,372,048 (2016: €2,279,689).

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 €21,176,042 as of 31 December 2017 (2016: €21,251,788), whilst the amount of current service and interest cost related to his pension promise accounted for in the fiscal year 2017 represented an expense of €1,175,057 (2016: €1,075,888). This amount has been accrued in the Consolidated Financial Statements.

Share-Based Remuneration

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

Granted date	LTIP 2012	LTIP 2013	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017
Performance Units and Shares	50,300	30,300	29,500	24,862	28,480	20,324
Revaluation	89%	75%	80%	100%	100%	100%
Performance Units and Shares revaluated	44,768	22,724	23,600	24,862	28,480	20,324
Vested in 2017						
in cash	16,788	5,682	0	0	0	0
in shares	11,192	0	0	0	0	0
Outstanding 2017						
in cash	0	5,682	17,700	18,646	14,240	10,162
in shares	0	11,360	5,900	6,216	14,240	10,162
Vesting schedule						
Cash-settled units	For vesting dates, see "—Note 30.1: LTIP"					
Equity-settled units	November 2017	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 2017 for the CEO was €2,732,125 (2016: €2,353,453).

Termination Benefits

Termination benefits include non-compete indemnity estimated according to art. 74 *et seq.* of the German Commercial Code ("BGB") based on 2017 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 2017, the total amount expensed was €63,250 (2016: €71,755). Airbus 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:

	2017			2016		
(In €)	Fixum (1)	Attendance fees (2)	Total	Fixum (1)	Attendance fees (2)	Total
Non-Executive Board Members						
Denis Ranque (3)	204,293	80,000	284,293	180,000	60,000	240,000
Ralph D. Crosby Jr.	94,420	80,000	174,420	80,000	50,000	130,000
Lord Drayson (4)	72,100	60,000	132,100	0	0	0
Catherine Guillouard (3)	120,000	70,000	190,000	67,582	40,000	107,582
Hans-Peter Keitel	100,000	60,000	160,000	100,000	60,000	160,000
Hermann-Josef Lamberti (3)	135,707	70,000	205,707	110,000	55,000	165,000
Lakshmi N. Mittal (5)	28,176	10,000	38,176	100,000	50,000	150,000
María Amparo Moraleda Martínez (3)	120,000	80,000	200,000	100,000	55,000	155,000
Claudia Nemat	100,000	70,000	170,000	67,582	30,000	97,582
Sir John Parker (3)	135,707	65,000	200,707	110,000	60,000	170,000
Carlos Tavares	80,000	65,000	145,000	54,066	20,000	74,066
Jean-Claude Trichet	100,000	80,000	180,000	100,000	60,000	160,000
Former Non-Executive Board Members						
Manfred Bischoff	0	0	0	26,154	20,000	46,154
Anne Lauvergeon	0	0	0	32,692	10,000	42,692
Michel Pébereau	0	0	0	32,692	20,000	52,692
Total	**1,290,403**	**790,000**	**2,080,403**	**1,160,768**	**590,000**	**1,750,768**

(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 of the Board of Directors (the "RNGC") and/or the E&C Committee. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017. The fixum for the year 2016 was paid 50% in December 2015 and 50% in July 2016.
(2) The attendance fees related to the first semester 2017 were paid in July 2017; those related to the second semester 2017 are payable in January 2018. The attendance fees related to the first semester 2016 were paid in July 2016; those related to the second semester 2016 were paid in January 2017.
(3) Member of the E&C Committee and its predecessor, the temporary Ad-Hoc Committee, since the beginning of 2017.
(4) Member of the Company Board of Directors and the RNGC as of 12 April 2017.
(5) No Member of the Company Board of Directors as of 12 April 2017.

A dedicated Ethics and Compliance Committee ("E&C Committee") has been established in 2017 and its related remuneration paid in 2017. Please refer to the "Report of the Board of Directors — 4.1.3 Board Committees".

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)	**2017**	2016
Issued as at 1 January	772,912,869	**785,344,784**
Issued for ESOP	1,643,193	1,474,716
Issued for exercised options	0	224,500
Cancelled	0	(14,131,131)
Issued as at 31 December	774,556,062	**772,912,869**
Treasury shares as at 31 December	(129,525)	(184,170)
Outstanding as at 31 December	**774,426,537**	**772,728,699**

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 €13,348 million (2016: €3,657 million) representing an increase of €+9,691 million. This is due to an increase in other comprehensive income of €+7,738 million, principally related to the mark to market revaluation of the hedge portfolio of €+7,757 million, and a net income for the period of €+2,873 million, partly offset by a dividend payment of €1,043 million (€1.35 per share).

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of €1,643,193 (in 2016: €1,474,716) in compliance with the implemented ESOPs. In 2016, it also included €224,500 related to the last SOP.

Share premium mainly results from contributions in kind in the course of the creation of Airbus, 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 €151 million in 2017 (2016: €-1,383 million), and cash dividend payments to Airbus SE shareholders.

On 12 April 2017, the Shareholders' General Meeting decided to distribute a gross amount of €1.35 per share, which was paid on 20 April 2017. For the fiscal year 2017, Airbus' Board of Directors proposes a cash distribution payment of €1.50 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2017, the number of treasury stock held by the Company decreased to 129,525 compared to 184,170 as of 31 December 2016. No shares were sold back to the market nor cancelled (in 2016: 14,131,131 shares).

On 12 April 2017, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2018, 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 12 April 2017, 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 not exceeding 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

The non-controlling interests ("NCI") from non-wholly owned subsidiaries increased to €3 million as of 31 December 2017 (2016: €-5 million). These NCI do not have a material interest in Airbus' activities and cash flows. This increase is mainly related to the mark to market revaluation of the hedge portfolio.

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

	Alestis Aerospace S.L.		PFW Aerospace GmbH	
Principal place of business	La Rinconada (Spain)		Speyer (Germany)	
	2017	2016	**2017**	2016
Ownership interest held by NCI	38.09%	38.09%	25.10%	25.10%
NCI *(in € million)*	(18)	(34)	(8)	(28)
Profit (loss) allocated to NCI *(in € million)*	(2)	(5)	4	0

33. Capital Management

Airbus 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 Airbus. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of Airbus' objectives to maintain a strong credit rating by institutional rating agencies. This enables Airbus 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. Airbus 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 Ratings (unsolicited)	A-	Stable	F-2

Airbus' stand-alone ratings reflect the strong backlog providing revenue visibility and Airbus Commercial Aircraft leading market position, Airbus' 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 Airbus' exposure to structural currency risk.

In accordance with Airbus' 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 Airbus Commercial Aircraft's position as a solid counterparty for its customers and suppliers.

Among other indicators, Airbus 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.

Airbus uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by Airbus, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for Airbus 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 Airbus' Capital Employed exceed the Company's cost of capital. Value can be measured by comparing RoCE to the WACC. A three year plan (previously: five 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's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

Airbus also monitors the level of dividends paid to its shareholders.

The Company generally satisfies its obligations arising from share-based payment plans by issuing new shares. In order to avoid any dilution of its current shareholders out of these share-based payment plans, the Company performs share buybacks and cancels its own shares 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 Airbus' operations, to react to business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2017**	2016
Cash and cash equivalents	12,016	10,143
Current securities	1,627	1,551
Non-current securities	10,944	9,897
Gross cash position	**24,587**	**21,591**
Short-term financing liabilities	(2,212)	(1,687)
Long-term financing liabilities	(8,984)	(8,791)
Total	**13,391**	**11,113**

The **net cash** position on 31 December 2017 amounted to € 13,391 million (2016: € 11,113 million), with a gross cash position of €24,587 million (2016: €21,591 million).

Derivative instruments recognised on Airbus' Statement of Financial Position consist of (i) instruments that are entered into as hedges of Airbus' 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)	**2017**	2016
Bank account and petty cash	3,672	3,100
Short-term securities (at fair value through profit and loss)	6,256	5,513
Short-term securities (available-for-sale)	2,085	1,535
Others	8	12
Total cash and cash equivalents	**12,021**	**10,160**
Recognised in disposal groups classified as held for sale	5	17
Recognised in cash and cash equivalents	**12,016**	**10,143**

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 Airbus' securities consists of debt securities and are classified as available-for-sale financial assets and carried at their fair values (see "— Note 35.2: Carrying Amounts and Fair Values of Financial Instruments" for more details on how available-for-sale assets are accounted for).

Airbus' security portfolio amounts to € 12,571 million and € 11,448 million as of 31 December 2017 and 2016, respectively. The security portfolio contains a **non-current portion** of available-for-sale securities of € 10,944 million (in 2016: € 9,897 million), and a **current portion** of available-for-sale securities of € 1,627 million (in 2016: € 1,551 million).

Included in the securities portfolio as of 31 December 2017 and 2016, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,023 million nominal value; 2016: € 10,736 million) or floating rate coupons (€ 376 million nominal value; 2016: € 360 million), foreign currency funds of hedge funds (€ 5 million nominal value; 2016: € 6 million) and foreign currency funds of fixed income funds (€ 11 million fair value; 2016: € 0 million).

When Airbus 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 2017, securities for an amount of €67 million were pledged as collateral for borrowings from banks (2016: € 0).

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, Airbus 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 Airbus' Statement of Financial Position.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds	512	1,524	5,027	7,063
Liabilities to financial institutions	290	1,397	325	2,012
Loans	144	200	185	529
Liabilities from finance leases	17	139	186	342
Others (1)	1,249	1	0	1,250
31 December 2017	**2,212**	**3,261**	**5,723**	**11,196**
Bonds	0	1,581	4,432	6,013
Liabilities to financial institutions	351	1,573	499	2,423
Loans	332	213	118	663
Liabilities from finance leases	15	154	220	389
Others (1)	989	1	0	990
31 December 2016	**1,687**	**3,522**	**5,269**	**10,478**

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, increased by € 193 million to € 8,984 million (2016: € 8,791 million). The increase in long-term financing liabilities is mainly related to the issuance of bonds. The increase in bonds corresponds principally to bonds issued on 10 April 2017, for a total of US$ 1.5 billion, with a 10 year-maturity tranche of US$ 750 million at fixed coupon of 3.150%, and a 30 year-maturity tranche of US$ 750 million at a fixed coupon of 3.950%.

Short-term financing liabilities increased by € 525 million to € 2,212 million (2016: € 1,687 million). The increase in short-term financing liabilities is mainly related to the reclassification of an Euro Medium Term Note programme ("EMTN") bond from long-term to short term due to maturity in September 2018.

The Company has issued several euro-denominated **bonds** under its EMTN 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 European Investment Bank ("EIB") and 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 2017, 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 2017.

Financing liabilities include **outstanding debt** of €46 million (2016: €85 million) relating to a loan Airbus Commercial Aircraft 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 2017	2016	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€500	512	533	Sep 2003	5.50%	5.58%	Sep 2018	Interest rate swapped into 3M Euribor +1.72%
US$ Bond 10 years	US$1,000	818	940	Apr 2013	2.70%	2.73%	Apr 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€1,000	1,031	1,052	Apr 2014	2.375%	2.394%	Apr 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€500	517	526	Oct 2014	2.125%	2.194%	Oct 2029	Interest rate swapped into 3M Euribor +0.84%
Convertible bond 7 years	€500	470	464	Jul 2015	0.00%	1.386%	Jul 2022	Convertible into Airbus SE shares at €99.54 per share Issued at 102%
EMTN 10 years	€600	584	589	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€900	851	861	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Exchangeable bonds 5 years	€1,078	1,054	1,048	Jun 2016	0.00%	0.333%	Jun 2021	Exchangeable into Dassault Aviation shares issued at 103.75%
US$ Bond 10 years	US$750	615	0	Apr 2017	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0,87%
US$ Bond 30 years	US$750	611	0	Apr 2017	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1,61%
Bonds		**7,063**	**6,013**					
DBJ 10 years	US$300	250	285	Jan 2011	3M US-Libor +1.15%		Jan 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$721	343	488	Aug 2011	3M US-Libor +0.85%		Aug 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406	339	385	Feb 2013	3M US-Libor +0.93%		Feb 2020	
EIB 10 years	US$627	516	591	Dec 2014	2.52%	2.52%	Dec 2024	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$320	267	304	Dec 2015	6M US-Libor +0.559%		Dec 2025	
Others		297	370					
Liabilities to financial institutions		**2,012**	**2,423**					

Reconciliation of liabilities arising from financing liabilities:

			Non-cash movements			
(In € million)	Balance at 1 January 2017	Cash flows	Changes in scope	Foreign exchange movement	Others [(1)]	**Balance at 31 December 2017**
Bonds	6,013	1,316	0	(266)	0	7,063
Liabilities to financial institutions	2,423	(199)	0	(212)	0	2,012
Loans	663	(118)	(11)	5	(10)	529
Liabilities from finance leases	389	7	(27)	(27)	0	342
Others	990	278	(44)	26	0	1,250
31 December 2017	**10,478**	**1,284**	**(82)**	**(474)**	**(10)**	**11,196**

(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 2017 and 2016, are as follows:

	31 December	
(In € million)	**2017**	2016
1 year	2,212	1,687
2 years	249	829
3 years	621	271
4 years	1,719	703
5 years	672	1,719
Thereafter	5,723	5,269
Total	**11,196**	**10,478**

35. Information about Financial Instruments

35.1 Financial Risk Management

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

The financial risk management of Airbus is generally carried out by the Treasury department at Airbus 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 an established specific Foreign Exchange Committee, including the Airbus Divisions.

Airbus 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.

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

Most of Airbus' revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to some extent in other foreign currencies. Consequently, to the extent that Airbus 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 Airbus 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, Airbus typically hedges firmly committed sales in US dollar using a "first flow approach". Under that approach, the foreign currency derivatives Airbus enters into are designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implies that only a portion of the expected monthly customer payments made at aircraft delivery are hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations have 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 exceed the portion designated as being hedged in that month. However, if the monthly US dollar cash inflows received at aircraft delivery are expected to be, or prove to be, less than the notional amount of the hedges maturing in that month, the excess portion of the hedge notional will disqualify for hedge accounting and the related fair value changes or settlement gains or losses will be recognised in financial result.

Airbus 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, Airbus hedges in 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, Airbus may use rollover strategies, usually involving foreign exchange swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IAS 39, Airbus 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 other comprehensive income) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, Airbus 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. Airbus 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, Airbus 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, Airbus primarily uses foreign currency forwards, foreign currency options and to a minor extent non-derivative financial instruments.

Airbus 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, Airbus 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 — Airbus uses an asset-liability management approach with the objective to limit its interest rate risk. Airbus 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 Airbus' variable rate debt (see "— Note 34.3: Financing Liabilities") are accounted for under the cash flow hedge model, and related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

Airbus 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, Airbus has an Asset 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.

Commodity price risk — Airbus is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. Airbus 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, Airbus applies cash flow hedge accounting to the derivative instruments.

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

Sensitivities of market risks — The approach used to measure and control market risk exposure within Airbus' financial instrument portfolio is, amongst other key indicators, the value-at-risk ("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 Airbus 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. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

Airbus' VaR computation includes Airbus' financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-Airbus payables and receivables affecting Airbus profit and loss.

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 5-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.

Airbus 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, Airbus' 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 Airbus' Asset Management Committee.

A summary of the VaR position of Airbus' financial instruments portfolio at 31 December 2017 and 2016 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
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)	74	17	70	0	21
Finance lease receivables and liabilities, foreign currency trade payables and receivables	49	0	24	0	42
Commodity contracts	2	0	0	2	0
Equity swaps	2	2	0	0	0
Diversification effect	(182)	(3)	(157)	0	(68)
All financial instruments	**817**	**16**	**850**	**2**	**84**
31 December 2016					
Foreign exchange hedges for forecast transactions or firm commitments	1,778	0	1,873	0	180
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	80	57	58	0	19
Finance lease receivables and liabilities, foreign currency trade payables and receivables	81	0	15	0	86
Commodity contracts	4	0	1	4	0
Equity swaps	4	4	0	0	0
Diversification effect	(276)	(1)	(127)	0	(70)
All financial instruments	**1,671**	**60**	**1,820**	**4**	**215**

The decrease of the total VaR as of 31 December 2017 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, in comparison to year-end 2016. Airbus 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 €872 million (2016: €1,778 million) cannot be considered as a risk indicator for Airbus in the economic sense.

Liquidity Risk

Airbus' policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. Airbus manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€3.0 billion as of 31 December 2017 and 2016) in addition to the cash inflow generated by its operating business. Airbus continues to keep within the asset portfolio the focus on low counterparty risk. In addition, Airbus 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 Airbus' funding costs and limit its financial flexibility.

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

The contractual maturities of Airbus' 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 2017								
Non-derivative financial liabilities	(25,600)	(27,519)	(16,403)	(516)	(836)	(1,952)	(882)	(6,930)
Derivative financial liabilities	(2,271)	(3,063)	(1,167)	(835)	(184)	(3)	(2)	(872)
Total	**(27,871)**	**(30,582)**	**(17,570)**	**(1,351)**	**(1,020)**	**(1,955)**	**(884)**	**(7,802)**
31 December 2016								
Non-derivative financial liabilities	(23,994)	(25,293)	(14,903)	(1,268)	(458)	(886)	(1,923)	(5,856)
Derivative financial liabilities	(11,020)	(13,891)	(4,568)	(3,772)	(2,897)	(1,511)	(831)	(312)
Total	**(35,014)**	**(39,184)**	**(19,471)**	**(5,040)**	**(3,355)**	**(2,397)**	**(2,754)**	**(6,168)**

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 €-5,901 million at 31 December 2017 (€-7,070 million at 31 December 2016) are not included.

Credit Risk

Airbus 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, Airbus 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 on Airbus level. In order to ensure sufficient diversification, a credit limit system is used.

Airbus monitors the performance of the individual financial instruments and the impact of the 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 Commercial Aircraft and ATR, Airbus may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus 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' (such as airlines') creditworthiness by way of internal risk pricing methods.

The following table breaks down the gross carrying amount of loans and receivables including finance leases, 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	7,285	226	151	228	163	144	64	369	8,630
Others	2,214	0	254	65	145	31	180	228	3,117
Total	**9,592**	**226**	**1,172**	**296**	**311**	**178**	**307**	**600**	**12,682**
31 December 2016									
Customer financing	846	0	209	4	3	86	0	0	1,148
Trade receivables	6,057	27	198	1,049	235	285	78	437	8,366
Others	1,313	9	285	111	48	182	22	466	2,436
Total	**8,216**	**36**	**692**	**1,164**	**286**	**553**	**100**	**903**	**11,950**

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.

At year-end there was no indication that any financial assets carried at fair value were impaired.

35.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments — Airbus' financial assets mainly consist in cash, short to medium-term deposits and securities. Airbus' 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. Airbus classifies its financial assets in the following three categories: (i) at fair value through profit or loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Their classification is determined by management when first recognised and depends on the purpose for their acquisition.

Within Airbus, all investments in entities which do not qualify for consolidation or equity-method accounting are classified as non-current available-for-sale financial assets. They are included in the line other investments and other long-term financial assets in the Consolidated Statements of Financial Position.

Available-for-sale financial assets — Financial assets classified as available-for-sale are accounted for at fair value. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items are recognised directly within AOCI. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of other income (other expense) from investments in the Consolidated Income Statements for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statements using the effective interest method. Dividends earned on investment are recognised as other income (other expense) from investments in the Consolidated Income Statements when the right to the payment has been established.

In case of the impairment of debt instruments classified as available-for-sale, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in financial result. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statements, the impairment loss is reversed through the Consolidated Income Statements.

Financial assets at fair value through profit or loss — Within Airbus, only derivatives not designated as hedges are categorised as held for trading. Furthermore, Airbus 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.

Airbus 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 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 (1) (2)	0	0	0	2,441	0	0	0	2,441	2,441
Customer financing (3)	0	0	0	0	695	704	76	770	780
Other loans	0	0	0	0	1,521	1,521	0	1,521	1,521
Trade receivables	0	0	0	0	8,358	8,358	0	8,358	8,358
Other financial assets									
Derivative instruments (6)	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	**66**	**6,256**	**3,498**	**17,097**	**15,644**	**15,653**	**76**	**42,637**	**42,646**
Liabilities									
Financing liabilities									
Issued bonds and commercial papers	0	0	0	0	(7,063)	(7,363)	0	(7,063)	(7,363)
Liabilities to banks and other financing liabilities	0	0	0	0	(3,791)	(3,838)	0	(3,791)	(3,838)
Finance lease liabilities (4)	0	0	0	0	0	0	(342)	(342)	(342)
Other financial liabilities									
Derivative instruments (7)	(239)	0	(2,032)	0	0	0	0	(2,271)	(2,271)
European Governments refundable advances (5)	0	0	0	0	(5,901)	(5,901)	0	(5,901)	(5,901)
Other	0	0	0	0	(961)	(961)	0	(961)	(961)
Trade liabilities	0	0	0	0	(13,444)	(13,444)	0	(13,444)	(13,444)
Total	**(239)**	**0**	**(2,032)**	**0**	**(31,160)**	**(31,507)**	**(342)**	**(33,772)**	**(34,119)**

(1) Other than those accounted for under the equity method.
(2) For certain equity investments for which price quotes are not available the range of reasonable fair value estimates determined based on valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2017, the aggregate carrying amount of these investments was €478 million.
(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as “other”.
(4) 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 “other”.
(5) 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.
(6) This includes credit value adjustments of €-36 million, of which €-36 million is recognised in OCI.
(7) This includes debit value adjustments of €18 million, of which €18 million is recognised in OCI.

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 2016:

	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 (1) (2)	0	0	0	2,091	0	0	0	2,091	2,091
Customer financing (3)	0	0	0	0	732	735	207	939	942
Other loans	0	0	0	0	1,147	1,147	0	1,147	1,147
Trade receivables	0	0	0	0	8,101	8,101	0	8,101	8,101
Other financial assets									
Derivative instruments (6)	66	0	1,085	0	0	0	0	1,151	1,151
Non-derivative instruments	0	0	0	0	1,082	1,082	0	1,082	1,082
Securities	0	0	0	11,448	0	0	0	11,448	11,448
Cash and cash equivalents	0	5,513	0	1,535	3,095	3,095	0	10,143	10,143
Total	**66**	**5,513**	**1,085**	**15,074**	**14,157**	**14,160**	**207**	**36,102**	**36,105**
Liabilities									
Financing liabilities									
Issued bonds and commercial papers	0	0	0	0	(6,013)	(6,217)	0	(6,013)	(6,217)
Liabilities to banks and other financing liabilities	0	0	0	0	(4,076)	(4,086)	0	(4,076)	(4,086)
Finance lease liabilities (4)	0	0	0	0	0	0	(389)	(389)	(389)
Other financial liabilities									
Derivative instruments (7)	(349)	0	(10,671)	0	0	0	0	(11,020)	(11,020)
European Governments refundable advances (5)	0	0	0	0	(7,070)	(7,070)	0	(7,070)	(7,070)
Other	(38)	0	0	0	(946)	(946)	0	(984)	(984)
Trade liabilities	0	0	0	0	(12,532)	(12,532)	0	(12,532)	(12,532)
Total	**(387)**	**0**	**(10,671)**	**0**	**(30,637)**	**(30,851)**	**(389)**	**(42,084)**	**(42,298)**

(1) Other than those accounted for under the equity method.
(2) For certain equity investments for which price quotes are not available the range of reasonable fair value estimates determined based on valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2016, the aggregate carrying amount of these investments was €494 million.
(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".
(4) 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 "other".
(5) The European Governments refundable advances of €-7,070 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.
(6) This includes credit value adjustments of €-44 million, of which €-42 million is recognised in OCI.
(7) This includes debit value adjustments of €87 million, of which €82 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, Airbus 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 Airbus' net exposure to the credit risk of each particular counterparty and fair value information is provided to Airbus' 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.

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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 Airbus' 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 minor extent on Level 3 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 2017 and 2016, respectively:

	31 December 2017				31 December 2016			
(In € million)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,963	0	0	1,963	1,597	0	0	1,597
Derivative instruments	0	3,564	0	3,564	0	1,148	3	1,151
Securities	10,995	1,576	0	12,571	11,446	2	0	11,448
Cash equivalents	6,256	2,085	0	8,341	5,513	1,535	0	7,048
Total	**19,214**	**7,225**	**0**	**26,439**	**18,556**	**2,685**	**3**	**21,244**
Financial liabilities measured at fair value								
Derivative instruments	0	(2,214)	(3)	(2,217)	0	(11,009)	(11)	(11,020)
Other liabilities	0	0	0	0	0	0	(38)	(38)
Total	**0**	**(2,214)**	**(3)**	**(2,217)**	**0**	**(11,009)**	**(49)**	**(11,058)**

The development of Level 3 instruments is not disclosed as they are negligible, as are any changes in fair value that may arise from changing the inputs.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2017 and 2016, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition as of 31 December 2017**	**Fair value as of 31 December 2017**	Nominal amount at initial recognition as of 31 December 2016	Fair value as of 31 December 2016
Designated at fair value through profit or loss at recognition:				
Money market funds	6,256	6,256	5,513	5,513
Foreign currency funds of hedge funds	5	0	6	0
Foreign currency funds of fixed income funds	11	11	0	0
Total	**6,272**	**6,267**	**5,519**	**5,513**

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

In addition, Airbus 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 € 1,186 million (2016: € 705 million).

Fair Value Measurement Method

The methods Airbus uses to measure fair values are as follows:

Equity instruments — The fair values of listed equity instruments reflect quoted market prices. For certain unquoted equity instruments the range of reasonable fair value estimates determined using valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. Those instruments are measured at cost, and their carrying amounts used as a proxy for fair value.

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

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 Airbus 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 issued 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, 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 2017 and 2016:

	31 December					
	2017	2016	**2017**	2016	**2017**	2016
(Rate in %)	€		US$		£	
6 months	(0.32)	(0.26)	1.91	1.31	0.87	0.60
1 year	(0.22)	(0.11)	2.18	1.62	0.90	0.81
5 years	0.25	(0.06)	2.24	1.97	1.03	0.87
10 years	0.81	0.54	2.39	2.35	1.27	1.23

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

Airbus 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 Airbus' financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2017 and 2016, respectively:

				Related amounts not set off in the statement of financial position		
Derivative Instruments *(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 2017						
Financial assets	3,564	0	3,564	(2,068)	44	1,540
Financial liabilities	2,271	0	2,271	(2,068)	0	203
31 December 2016						
Financial assets	1,363	0	1,363	(1,358)	0	5
Financial liabilities	10,879	0	10,879	(1,358)	0	9,521

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 Airbus 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	6 years	7 years	> 7 years	Total
31 December 2017									
Net forward sales contracts	18,568	16,596	14,007	8,304	2,356	241	0	0	60,072
Foreign exchange options									
Purchased US-dollar put options	0	3,160	3,865	1,401	0	0	0	0	8,426
Written US-dollar put options	0	3,160	3,865	1,401	0	0	0	0	8,426
Foreign exchange swap contracts	(610)	0	0	0	0	0	0	0	(610)
31 December 2016									
Net forward sales contracts	22,482	22,163	18,416	11,839	5,496	1,291	(11)	0	81,676
Foreign exchange options									
Purchased US-dollar put options	0	0	4,079	4,198	740	0	0	0	9,017
Written US-dollar put options	0	0	4,079	4,198	740	0	0	0	9,017
Foreign exchange swap contracts	(104)	0	0	0	0	0	0	0	(104)

In 2017, new hedge contracts of US$ 12.4 billion (2016: US$ 20.4 billion) were added at an average rate of 1.22 US$/€ (2016: 1.19 US$/€).

As of 31 December 2017, the total hedge portfolio with maturities up to 2023 amounts to US$ 88.7 billion (2016: US$ 102.4 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 2023 amounts to 1.23 US$/€ (2016: 1.25 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.43 US$/£ (2016: 1.49 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 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
31 December 2016									
Interest rate contracts	36	1,096	989	7	988	4	949	3,771	7,840
Interest rate future contracts	130	0	0	0	0	0	0	0	130

See “— 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 2017	**53**	**21**	**13**	**8**	**2**	**97**
31 December 2016	270	41	16	6	0	333

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 2017	**52**	**49**	**19**	**0**	**0**	**120**
31 December 2016	76	52	49	19	0	196

35.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2017 and 2016 is as follows:

(In € million)	Equity attributable to equity owners of the parent	NCI	Total
Balance as of 1 January 2016	**(6,864)**	**(49)**	**(6,913)**
Unrealised gains and losses from valuations, gross	(3,462)	(50)	(3,512)
Transferred to profit or loss for the period, gross	3,199	66	3,265
Changes in fair values of hedging instruments recorded in AOCI, gross	(263)	16	(247)
Changes in fair values of hedging instruments recorded in AOCI, tax	12	(8)	4
Share of change in fair values of hedging instruments from investments accounted for under the equity method, net	(38)	0	(38)
Changes in fair values of hedging instruments recorded in AOCI, net	(289)	8	(281)
Balance as of 31 December 2016	**(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 as of 31 December 2017	**604**	**(6)**	**598**

In 2017, an amount of €2,491 million (2016: €-3,265 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges in an amount of US$25.3 billion (2016: US$23.5 billion) of hedges matured at an average rate of 1.29 US$/€ (2016: 1.32 US$/€).

In addition, a loss of €-96 million was recognised in the profit for the period in 2017 (2016: loss of €-27 million) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of €+91 million (2016: gain of €+12 million) attributable to the hedged risk was recognised in the profit for the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments as of 31 December 2017 and 2016, respectively, are as follows:

	2017		2016	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts - cash flow hedges	3,386	(1,888)	946	(10,398)
Foreign currency contracts - not designated in a hedge relationship	1	(5)	4	(25)
Interest rate contracts - cash flow hedges	0	(11)	0	(26)
Interest rate contracts - fair value hedges	69	(84)	122	(38)
Interest rate contracts - not designated in a hedge relationship	31	(35)	59	(71)
Commodity contracts - cash flow hedges	5	(9)	2	(27)
Commodity contracts - not designated in a hedge relationship	2	(3)	3	(34)
Equity swaps - cash flow hedges	38	0	15	(3)
Embedded bonds conversion option - not designated in a hedge relationship	0	(196)	0	(122)
Embedded foreign currency derivatives - cash flow hedges	0	(39)	0	(179)
Embedded foreign currency derivatives - not designated in a hedge relationship	32	(1)	0	(97)
Total	**3,564**	**(2,271)**	**1,151**	**(11,020)**

35.6 Net Gains or Net Losses

Airbus' net gains or net losses recognised in profit or loss in 2017 and 2016, respectively, are as follows:

(In € million)	**2017**	2016
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	603	(451)
Designated on initial recognition	(214)	50
Available-for-sale financial assets	(268)	15
Loans and receivables [1]	(17)	(160)
Financial liabilities measured at amortised cost	1,303	(249)

(1) Contain among others impairment losses.

Net gains of €+398 million (2016: net losses of €-50 million) are recognised directly in equity relating to available-for-sale financial assets.

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

35.7 Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2017 and 2016, respectively:

(In € million)	**2017**	2016
Other investments and other long-term financial assets:		
Equity instruments	(64)	(12)
Customer financing	(10)	(123)
Other loans	(4)	(10)
Trade receivables	(54)	(34)
Total	**(132)**	**(179)**

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.

Airbus 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, Airbus 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 Airbus' 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 Airbus is not a party, Airbus 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 Commercial Aircraft 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 is now under WTO review pursuant to WTO rules.

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

Prompted by a whistleblower's allegations, Airbus conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that Airbus acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by Airbus, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by Airbus to the UK Serious Fraud Office (the "SFO") in March 2012. In the period under review and based on the work it undertook, nothing came to PwC's attention to suggest that improper payments were made by GPT. In August 2012, the SFO announced that it had opened a formal criminal investigation into the matter. Airbus is in continuing engagement with the authorities.

Eurofighter Austria

In March 2012, the Munich public prosecutor, following a request by the Vienna public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust against 16 individuals, among them former and current employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH. The proceedings are related to the sale of Eurofighter aircraft to the Republic of Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct an independent fact finding review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the Munich public prosecution. Airbus has been fully cooperating with the authorities. Regarding the question of deductibility of payments made in connection with the Eurofighter Austria campaign, Airbus Defence and Space GmbH settled with the tax authorities in August 2016.

Since the result of the investigation by the public prosecution did not confirm the allegations of bribery, the Munich public prosecution (Staatsanwaltschaft München I), in order to conclude the investigation in relation to Airbus Defence and Space GmbH (Company), has issued an administrative penalty notice against the Company under the German Act on Administrative Misdemeanours ("Ordnungswidrigkeitengesetz"). The notice is based on the allegation of a negligent breach of supervisory duties of non-identified members of the Company's former management. The notice alleges that former management negligently failed to ensure proper internal controls that would have prevented employees from making payments to business partners without proven documented services. The monetary penalty amounts to €81.25 million (comprising an administrative fine of €250,000 and €81 million of disgorged profits). The notice explicitly acknowledges the efforts of Airbus and its management to successfully install a completely overhauled compliance system starting in 2012. The Company, supported by its direct group shareholders and ultimately Airbus SE, has waived any remedy against the notice.

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. On 18 September 2017, Airbus filed a submission 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. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF

In the context of review and enhancement of its internal compliance improvement programme, Airbus discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for Airbus customers. In early 2016, Airbus informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities it had discovered. Airbus made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed Airbus 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 Airbus that it had also opened a preliminary investigation into the same subject and that the two authorities would act in coordination going forward. Airbus is cooperating fully with both authorities including in respect of potential issues across Airbus' business. As part of Airbus' 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. Airbus is cooperating with the US authorities in close coordination with the SFO and PNF. The SFO and PNF investigations and any penalties potentially levied as a result could have negative consequences for Airbus. The potential imposition of any monetary penalty (and the amount thereof) or other sanction including tax liability arising from the SFO and PNF 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 Airbus. 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 Airbus (ii) adverse consequences on Airbus' 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 Airbus' business or reputation via negative publicity adversely affecting Airbus' prospects in the commercial market place.

ECA Financing

The financing environment remains healthy. A high level of liquidity is available in the market at good rates for our attractive portfolio of products. In 2017, ECA financing had not been made available to Airbus but Airbus and the ECAs have now reached agreement on a process under which we are able to resume making applications for ECA-backed financing for our customers across the Group on a case-by-case basis. We anticipate a return to ECA cover in 2018 for a limited number of transactions while the level of appetite for commercial financing remains high.

Other Investigations

In 2014, the Munich public prosecutor investigated potential irregularities in relation to a project of Tesat-Spacecom GmbH & Co. KG. The Munich public prosecutor launched administrative proceedings in the context of this investigation against Tesat-Spacecom GmbH & Co. KG. In January 2018, the public prosecutor terminated the investigation against individuals as well as the administrative fine procedure relating to Tesat-Spacecom GmbH & Co. KG.

In April 2017, the Munich public prosecutor terminated administrative proceedings against former EADS Deutschland GmbH (now Airbus Defence and Space GmbH) with regard to border security projects in Romania and Saudi Arabia. Already in 2016, corresponding investigations against former and current employees of the EADS group were terminated.

Airbus is cooperating with a judicial investigation in France related to Kazakhstan. Airbus is not a party to these proceedings. Airbus 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, Airbus has 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). Airbus is cooperating with the US authorities. Airbus 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.

Review of Business Partner Relationships

In light of regulatory investigations and commercial disputes, including those discussed above, Airbus has determined to enhance certain of its policies, procedures and practices, including ethics and compliance and export control. Airbus is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities and is conducting enhanced due diligence as a pre-condition for future or continued engagement and to inform decisions on corresponding payments. Airbus engaged legal, investigative, and forensic accounting expertise of the highest calibre to undertake a comprehensive review of all relevant third party business consultant relationships and related subject matters. Airbus 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 Airbus seeking relief. The comprehensive review and these enhancements of its controls and practices has led to additional commercial litigation and arbitration against Airbus 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.

Commercial Disputes

In May 2013, Airbus was notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus 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 2018 at the earliest.

In the course of another commercial dispute, Airbus 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. Airbus is studying the award and considering the next steps.

37. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2017 have been charged by EY to the Company, its subsidiaries and other consolidated entities:

(In € thousand)	**2017**	2016
Audit of the financial statements	9,238	6,578
Other audit engagements	810	1,226
Tax services	690	362
Other non-audit services	5,416	6,870
Total	**16,154**	**15,036**

Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of € 5 million in 2017 (2016: € 4 million).

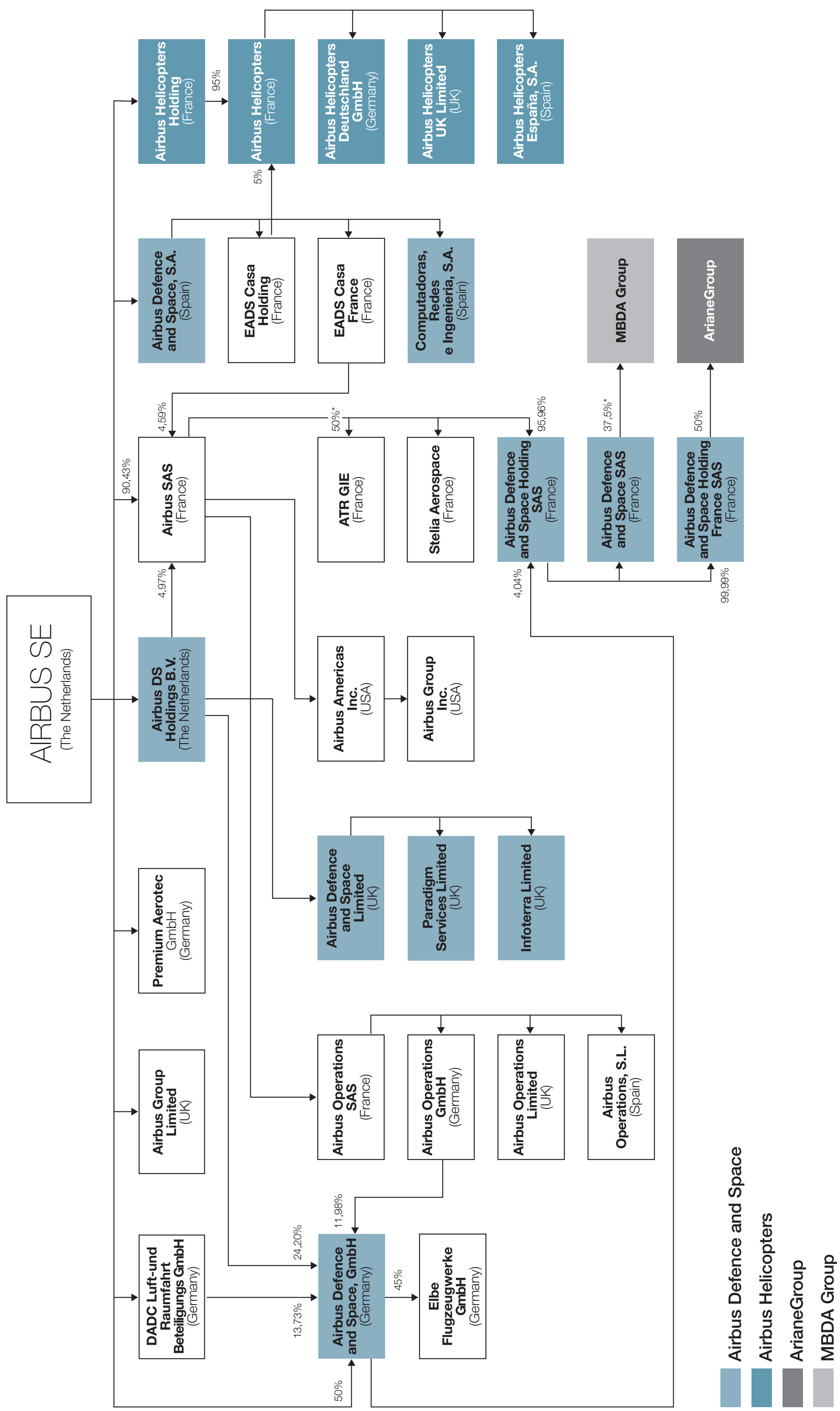
38. Events after the Reporting Date

On 7 February 2018, Airbus has signed a DOI with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxemburg) defining the framework for achieving a mutually binding contract amendment later in the year (see "— Note 10: Revenues and Gross Margin").

On 9 February 2018, in line with standard airworthiness procedures the European Aviation Safety Agency ("EASA") has published an Emergency Airworthiness Directive following an issue identified on a limited number of recently delivered Pratt & Whitney ("P&W") GTF engines. Airbus has informed its affected A320neo family customers and operators. Airbus and P&W are investigating the root cause of this recent finding.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 14 February 2018.

2.9 Appendix “Simplified Airbus Structure”



*Airbus owns indirectly 50% of ATR GIE, 50% of AirbusGroup and 37.50% of MBDA Group.
Subsidiaries held with no indication of ownership percentage are 100% owned.
Legal forms are indicated for information purposes and are not always part of the legal name.

2

Chapter

3

Airbus SE
IFRS Company
Financial Statements

IFRS Company Income Statements for the years ended 31 December 2017 and 2016

(In € million)	Note	2017	2016
Operating income		656	531
Operating expenses		(841)	(652)
Income from investments		614	4,021
Total operating result	4	**428**	**3,900**
Interest income		211	204
Interest expense		(159)	(120)
Other financial result		(1)	(101)
Total financial result	5	**51**	**(17)**
Profit before income taxes		**479**	**3,883**
Tax income (expense)	6	3	17
Profit for the period		**483**	**3,900**

IFRS Company Statements of Comprehensive Income for the years ended 31 December 2017 and 2016

(In € million)	2017	2016
Profit for the period	483	3,900
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	101	138
Net change in fair value of cash flow hedges	5	4
Other comprehensive income, net of tax	**106**	**142**
Total comprehensive income for the period	**589**	**4,042**

IFRS Company Statements of Financial Position at 31 December 2017 and 2016

(In € million)	Note	2017	2016
Assets			
Non-current assets			
Investments in subsidiaries and associates	7	16,576	15,545
Long-term financial assets	8	3,040	3,296
Non-current other financial assets	8	3,898	7,602
Non-current other assets		5	4
Deferred tax assets	6	22	9
Non-current securities	12	10,812	9,670
		34,353	**36,126**
Current assets			
Trade receivables		31	102
Current other financial assets	8	1,938	4,656
Current accounts Airbus companies	8	9,581	9,409
Current other assets		124	160
Current securities	12	1,576	1,489
Cash and cash equivalents	12	11,038	8,758
		24,288	**24,574**
Total assets		**58,641**	**60,700**
Equity and liabilities			
Stockholders' equity	11		
Issued and paid up capital		775	773
Share premium		2,826	2,745
Retained earnings		6,903	4,014
Legal reserves		459	353
Treasury shares		(2)	(3)
Result of the year		483	3,900
		11,444	**11,782**
Non-current liabilities			
Long-term financing liabilities	12	8,106	7,934
Non-current financial liabilities	8	4,055	7,698
		12,161	**15,632**
Current liabilities			
Short-term financing liabilities	12	660	98
Current accounts Airbus companies	8	32,127	28,557
Current financial liabilities	8	1,730	4,543
Current other liabilities		519	88
		35,036	**33,286**
Total equity and liabilities		**58,641**	**60,700**

IFRS Company Statements of Cash Flows for the years ended 31 December 2017 and 2016

(In € million)	Note	2017	2016
Profit for the period (Net income)		**483**	**3,900**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(211)	(204)
Interest expense		159	120
Interest received		209	231
Interest paid		(209)	(104)
Valuation adjustments		(345)	(102)
Deferred tax (income) expense		(18)	(17)
Change in income tax assets, income tax liabilities and provisions for income tax		12	0
Change in current and non-current provisions		(31)	12
Change in other operating assets and liabilities:		**525**	**(136)**
Trade receivables		106	(126)
Trade liabilities		406	(9)
Other assets and liabilities		13	(1)
Cash provided by (used for) operating activities		**575**	**3,700**
Investments:			
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests	7	(260)	(921)
Payments for long-term financial assets		(327)	(642)
Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		0	11
Repayments of other long-term financial assets		164	1,340
Payments for investments in securities		(3,742)	(2,037)
Proceeds from disposals of securities		2,400	2,300
Cash provided by (used for) investing activities		**(1,765)**	**51**
Draw-down in financing liabilities		1,399	2,580
Repayment of financing liabilities		(88)	(1,607)
Change in current accounts Airbus companies		3,118	(797)
Cash distribution to Airbus SE shareholders		(1,043)	(1,008)
Changes in capital		83	60
Share buyback		1	(736)
Cash (used for) provided by financing activities		**3,470**	**(1,508)**
Net increase in cash and cash equivalents		**2,280**	**2,243**
Cash and cash equivalents at beginning of period		**8,758**	**6,515**
Cash and cash equivalents at end of period	12	**11,038**	**8,758**

IFRS Company Statements of Changes in Equity for the years ended 31 December 2017 and 2016

				Legal reserves (1)			
(In € million)	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Treasury shares	Total equity
Balance at 1 January 2016	**785**	**3,484**	**4,993**	**221**	**(10)**	**(303)**	**9,170**
Profit for the period	0	0	3,900	0	0	0	3,900
Other comprehensive income	0	0	0	138	4	0	142
Total comprehensive income for the period	0	0	3,900	138	4	0	4,042
Capital increase	2	58	0	0	0	0	60
Share-based payments (IFRS 2)	0	0	31	0	0	0	31
Cash distribution to Airbus SE shareholders	0	0	(1,008)	0	0	0	(1,008)
Change in treasury shares	0	0	(2)	0	0	(511)	(513)
Cancellation of treasury shares	(14)	(797)	0	0	0	811	0
Balance at 31 December 2016	**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**

(1) The distribution of legal reserves is restricted by Dutch law.

Chapter

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 14 February 2018. 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, unless otherwise indicated.

Regarding the application of new, revised or amended IFRS standards issued but not yet applied please refer to Note 2 "Significant accounting policies" of the Consolidated Financial Statements. No material changes is expected in the Company Financial Statements of Airbus SE from the implementation of the new standards. 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 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.

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.

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 companies of Airbus 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 2017 and 2016:

(In € million)	**Transactions with subsidiaries 2017**	**Transactions with associates 2017**	Transactions with subsidiaries 2016	Transactions with associates 2016
Rendering of services, dividend income and interest income	772	28	4,634	33
Purchases of services, investment charge and interest expenses	(728)	(2)	(736)	(2)
Intercompany receivables due as of 31 December	12,729	87	12,886	83
Intercompany payables due as of 31 December	(35,422)	(1,005)	(32,403)	(666)
Hedge relationships receivable as of 31 December	5,640	0	10,730	0
Hedge relationships payable as of 31 December	5,784	0	(1,344)	0

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

4.2 Company Performance

4. Total Operating Result

(In € million)	**2017**	2016
Operating income	**656**	**531**
Corporate services rendered to Airbus companies	656	531
Operating expenses	**(841)**	**(652)**
Service fees charged by Airbus companies	(698)	(596)
Administrative expenses	(143)	(56)
Income from investments	**614**	**4,021**
Dividends received from Airbus companies	13	4,021
Impairment reversal	601	0
Total operating result	**428**	**3,900**

5. Total Financial Result

(In € million)	**2017**	2016
Interest result (1)	**52**	**84**
Interest income from available-for-sale securities	92	89
Others	(40)	(5)
Other financial result	**(1)**	**(101)**
Option liability exchangeable bond	(19)	(64)
Equity instruments	49	5
Interest rate hedging	(16)	(16)
Financing income (expense)	(8)	3
Foreign exchange revaluation	(6)	(29)
Total financial result	**51**	**(17)**

(1) In 2017, the total interest income amounts to €211 million (2016: €204 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 € -159 million (2016: € -120 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

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)	**2017**	2016
Current tax expense	0	0
Deferred tax income (expense)	3	17
Total	**3**	**17**

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)	**2017**	2016
Profit before income taxes	479	3,883
Corporate income tax rate	25%	25%
Expected (expense) for income taxes	**(120)**	**(971)**
Non-taxable income from investments	153	1,005
Option liability exchangeable bond	(5)	(16)
Income from other companies within the fiscal unity	(3)	(6)
Impairment	(12)	0
Other	(10)	5
Reported tax income (expense)	**3**	**17**

The first tranche of tax loss carry forwards (€20 million) will expire by the end of 2023.

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**

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement	31 December 2016	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(21)	(22)	0	0	0	(43)
Financial instruments	0	(3)	(1)	0	3	0	(1)
Net operating loss and tax loss carry forwards	39	0	0	0	14	53	0
Deferred tax assets (liabilities) before offsetting	**39**	**(24)**	**(23)**	**0**	**17**	**53**	**(44)**
Set-off	(24)	24	0	0	0	(44)	44
Net deferred tax assets (liabilities)	**15**	**0**	**(23)**	**0**	**17**	**9**	**0**

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

(In € million)	**2017**	2016
Available-for-sale investments	(31)	(43)
Cash flow hedges	0	2
Total	**(31)**	**(41)**

4.3 Operational Assets and Liabilities

7. Investments in Subsidiaries, Associates and Participations

(In € million)	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2016	**14,268**	**21**	**232**	**14,521**
Additions	136	0	785	921
Share-based payments (IFRS 2)	31	0	0	31
Fair value changes through AOCI	0	0	72	72
Balance at 31 December 2016	**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 AOCI	0	0	137	137
Other adjustments	33	0	(33)	0
Balance at 31 December 2017	**15,362**	**21**	**1,193**	**16,576**

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.

Available-for-sale participations are stated at fair value with changes in fair value recognised in Other Comprehensive Income.

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.

Change of Investments in Subsidiaries

On 27 January 2017, Airbus SE made a further capital contribution of € 100 million into Airbus 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 Holding BV 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).

On 26 January 2016, Airbus SE made a further capital contribution of € 100 million into Airbus Bank GmbH.

On 26 September 2016, Airbus SE made a further capital contribution of €22 million into Airbus Group Proj B.V., a 100% subsidiary, in the frame of the industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites.

On 23 December, 2016, Airbus SE contributed its 100% subsidiary Airbus Group SAS to its subsidiary Airbus SAS for a total amount of € 1,118 million. In return for this contribution Airbus SE received additional shares in Airbus SAS for an equivalent amount.

Change of Investments in Associated Companies and Participations

On 13 September 2016, Airbus SE internally acquired 9.05% of the shares in Dassault Aviation SA for a total amount of €785 million. The acquisition of these shares in Dassault Aviation SA is related to the issuance by the company of an exchangeable bond in June 2016 (see Note 12 "Cash, Securities and Financing Liabilities"). After a share cancellation by Dassault Aviation SA on 23 December 2016, reducing its capital by 9.6%, the Company's stake in Dassault Aviation SA increased to 10.00% of the total shares. Please refer to the list of participations at the Chamber of Commerce.

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2017	2016		
(in % [(1)])		Company	Head office
50.90	50.90	Aero Ré S.A.	Bertrange (Luxembourg)
50.10	66.08	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
100.00	97.57	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)
0.00	100.00	Airbus Group Inc.	Herndon, VA (USA)
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)
100.00	100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
90.26	90.26	Airbus S.A.S.	Toulouse (France)
100.00	100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
9.93	10.00	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 2017 and 2016 consist of the following:

	31 December	
(In € million)	**2017**	2016
Long-term financial assets	**3,040**	**3,296**
Long-term loans Airbus companies	3,040	3,296
Non-current other financial assets	**3,898**	**7,602**
Positive fair values of derivative financial instruments	3,898	7,602
Current other financial assets	**1,938**	**4,656**
Positive fair values of derivative financial instruments	1,744	4,551
Current portion long-term loans Airbus companies	194	105
Current accounts Airbus companies [(1)]	**(22,546)**	**(19,148)**
Receivables from subsidiaries	9,581	9,409
Liabilities to subsidiaries	(32,127)	(28,557)
Non-current financial liabilities	**(4,055)**	**(7,698)**
Negative fair values of derivative financial instruments	(4,055)	(7,698)
Current financial liabilities	**(1,730)**	**(4,543)**
Negative fair values of derivative financial instruments	(1,730)	(4,543)

(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 €7,227 million (2016: €5,849 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. In addition, the Company has entered into capital contribution commitments with Airbus companies in the amount of €54 million (2016: €54 million).

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 2017, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of US$14 million.

4.4 Employees

10. Number of Employees

The average number of the persons employed by the Company in 2017 was 2 (2016: 2).

4.5 Capital Structure and Financial Instruments

11. Total Equity

Airbus’ 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)	**2017**	2016
Issued as at 1 January	772,912,869	785,344,784
Issued for ESOP	1,643,193	1,474,716
Issued for exercised options	0	224,500
Cancelled	0	(14,131,131)
Issued as at 31 December	774,556,062	772,912,869
Treasury shares as at 31 December	(129,525)	(184,170)
Outstanding as at 31 December	**774,426,537**	**772,728,699**
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 of €0 (2016: €224,500) in compliance with the implemented stock option plans and by employees of €1,643,193 (2016: €1,474,716) 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 as well as cash distributions to Airbus SE shareholders.

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

On 12 April 2017, the Shareholders' General Meeting decided to distribute a gross amount of €1.35 per share, which was paid on 20 April 2017. For the fiscal year 2017, the Board of Directors proposed a cash distribution payment of €1.50 per share.

Accumulated Other Comprehensive Income ("AOCI") includes:

- change from ***available-for-sale financial assets*** (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 AOCI 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 2017, the number of treasury stock held by the Company decreased to 129,525 compared to 184,170 as of 31 December 2016. No shares were sold back to the market nor cancelled in 2017 (2016: 14,1231,131 shares).

Authorisations Granted by the Shareholders' General Meeting of Airbus SE Held on 12 April 2017

On 12 April 2017, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2018, 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 12 April 2017, 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 not exceeding 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 2017 and 2016 is as follows:

	31 December	
(In € million)	**2017**	2016
Consolidated equity	**13,348**	**3,657**
AOCI - Restatement of investments from Consolidated to Company Financial Statements	(2,283)	5,198
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(436)	2,713
Retained Earnings - Valuation investments at historical cost	1,487	1,487
Retained Earnings - Impairment of financial assets	(672)	(1,273)
Company's equity	**11,444**	**11,782**

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2017 and 2016 is as follows:

(In € million)	**2017**	2016
Consolidated net income	**2,873**	**995**
Income from investments according to Consolidated Financial Statements	(3,014)	(1,118)
Income from investments according to Company Financial Statements	614	4,021
Other valuation differences	10	2
Company's net income (Profit for the period)	**483**	**3,900**

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)	**2017**	2016
Bank accounts	2,697	1,710
Short-term securities (at fair value through profit or loss)	6,256	5,513
Short-term securities (available-for-sale)	2,085	1,535
Total cash and cash equivalents	**11,038**	**8,758**

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)	**2017**	2016
Current securities (available-for-sale)	1,576	1,489
Non-current securities (available-for-sale)	10,812	9,670
Total securities	**12,388**	**11,159**

Included in the securities portfolio as of 31 December 2017 and 2016, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,062 million nominal value; 2016: € 10,458 million) or floating rate coupons (€ 321 million nominal value; 2016: € 359 million) and foreign currency funds of hedge funds (€ 5 million nominal value; 2016: € 6 million).

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. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and 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 **2017**	Carrying amount 31 December 2016	Coupon or interest rate	Effective interest rate	Maturity	Additional features
Loans from Airbus Finance B.V.							
AFBV 15 years (EMTN)	€500	€500	€499	3M Euribor +1.85%	at variable rate	Sept. 2018	
AFBV 10 years (US$ Loan)	US$1,000	€818	€940	2.72%	2.80%	Apr. 2023	Interest rate swapped into 3M US-Libor +0.68%
AFBV 10 years (EMTN)	€1,000	€1,031	€1,052	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AFBV 15 years (EMTN)	€500	€517	€526	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AFBV 10 years (EMTN)	€600	€584	€589	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AFBV 15 years (EMTN)	€900	€851	€861	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Loans from financial institutions							
DBJ 10 years	US$300	€250	€285	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$721	€343	€488	3M US-Libor +0.85%	3.20%	Aug. 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$406	€339	€385	3M US-Libor +0.93%	at variable rate	Feb. 2020	
EIB 10 years	US$627	€516	€591	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years	US$320	€267	€304	6M US-Libor +0.56%	at variable rate	Dec. 2025	
Bond							
Convertible bond 7 years	€500	€470	€464	0.00%	1.39%	July 2022	Convertible into Airbus SE shares at €99.54 per share
Exchangeable bond 5 years	€1,078	€1,054	€1,048	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at €1,306.25 per share
US$ Bond 10 years	US$750	€615	€0	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M US-Libor +0.87%
US$ Bond 30 years	US$750	€611	€0	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M US-Libor +1.61%
Total		**€8,765**	**€8,032**				
thereof non-current financing liabilities		*€8,106*	*€7,934*				
thereof current financing liabilities		*€660*	*€98*				

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 that mature 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

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 2017, 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 2017.

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 Statements 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 Airbus 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. 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 Airbus', the Company enters into equity derivatives that reference the Airbus SE share price.

Sensitivities of market risks — The approach used to measure and control market risk exposure within Airbus' 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 Airbus' 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 2017 and 2016 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
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**
31 December 2016				
Foreign exchange hedges	8	0	7	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	36	23	6	23
Equity swaps	4	4	0	0
Diversification effect	(14)	(2)	(11)	(1)
All financial instruments	**34**	**25**	**2**	**23**

The decrease in the total VaR compared to 31 December 2016 is mainly attributable to a decrease of market volatilities in particular foreign exchange volatility on €/US$. The equity price VaR mainly decreased due to an increase in hedge effectiveness of the exchangeable bonds against the underlying equity position. The derivative instruments entered into with Airbus-external counterparties are passed on a 1:1 basis to Airbus entities. As a result, the respective market risks of the Airbus-external derivative instruments are offset by corresponding opposite market risks of intra-Airbus transactions.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its own and Airbus' present and future commitments as they fall due. For information on how Airbus 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 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)**
31 December 2016								
Non-derivative financial liabilities	(8,032)	(9,042)	(226)	(809)	(298)	(730)	(1,695)	(5,284)
Derivative financial liabilities	(12,241)	(15,147)	(4,762)	(4,104)	(3,106)	(1,630)	(1,127)	(418)
Total	**(20,273)**	**(24,189)**	**(4,988)**	**(4,913)**	**(3,404)**	**(2,360)**	**(2,822)**	**(5,702)**

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by either the related parties to which it provides financing or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. Although the Company provides loans to Airbus companies its credit risk is limited to its direct subsidiaries. For the policies the Company has put in place to avoid concentrations of credit risk and to ensure that credit risk is limited please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

In 2017, the total receivables, neither past due nor impaired amount to € 176 million (2016: € 4,759 million).

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 intra-Airbus liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as Airbus. Please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

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 tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2017 and 2016:

	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**	
31 December 2017 *(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				1,193	1,193			1,193	1,193
▪ Loans						3,234	3,856	3,234	3,856
Trade receivables						31	31	31	31
Other financial assets									
▪ 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	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**

31 December 2016 *(In € million)*	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	
	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	1,056	1,056	0	0	1,056	1,056
▪ Loans	0	0	0	0	0	3,401	3,502	3,401	3,502
Trade receivables	0	0	0	0	0	102	102	102	102
Other financial assets									
▪ Derivative instruments	12,031	0	122	0	0	0	0	12,153	12,153
▪ Current account Airbus companies	0	0	0	0	0	9,409	9,409	9,409	9,409
Securities	0	0	0	11,159	11,159	0	0	11,159	11,159
Cash and cash equivalents	0	5,513	0	1,535	1,535	1,710	1,710	8,758	8,758
Total	**12,031**	**5,513**	**122**	**13,750**	**13,750**	**14,622**	**14,723**	**46,038**	**46,038**
Liabilities									
Financing liabilities									
▪ Issued bonds and commercial papers	0	0	0	0	0	1,512	1,557	1,512	1,557
▪ Liabilities to banks and other financing liabilities	0	0	0	0	0	2,053	2,053	2,053	2,053
▪ Internal loans payable	0	0	0	0	0	4,467	4,660	4,467	4,660
Other financial liabilities									
▪ Derivative instruments	12,196	0	45	0	0	0	0	12,241	12,241
▪ Current accounts Airbus companies	0	0	0	0	0	28,557	28,557	28,557	28,557
Total	**12,196**	**0**	**45**	**0**	**0**	**36,588**	**36,827**	**48,830**	**49,068**

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 2017 and 2016, respectively:

	31 December 2017			31 December 2016		
(In € million)	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,193	0	1,193	1,056	0	1,056
Derivative instruments	0	5,641	5,641	0	12,153	12,153
Securities	12,388	0	12,388	11,139	20	11,159
Cash equivalents	7,441	900	8,341	6,218	830	7,048
Total	**21,022**	**6,542**	**27,564**	**18,413**	**13,003**	**31,416**
Financial liabilities measured at fair value						
Derivative instruments	0	5,785	5,785	0	12,241	12,241
Other liabilities	0	0	0	0	0	0
Total	**0**	**5,785**	**5,785**	**0**	**12,241**	**12,241**

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 2017 and 2016, respectively:

Derivative instruments *(In € million)*	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
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
31 December 2016						
Financial assets	12,153	0	12,153	(2,561)	0	9,592
Financial liabilities	12,241	0	12,241	(2,561)	0	9,680

13.4 Notional Amounts of Derivative Financial Instruments

The **maturity of hedged interest cash flows** 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 2017									
Interest rate contracts	0	0	0	343	0	1,001	1,523	2,000	4,867
31 December 2016									
Interest rate contracts	30	0	0	0	488	0	949	3,595	5,062
Interest rate future contracts	130	0	0	0	0	0	0	0	130

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 2017	52	49	19	0	0	121
31 December 2016	77	52	49	19	0	197

13.5 Derivative Financial Instruments and Hedge Accounting Disclosure

In addition, a loss of €-29 million was recognised in the profit for the period in 2017 (2016: €-27 million) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of €12 million (2016: €12 million) attributable to the hedged risk was recognised in the profit for the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments are as follows:

	31 December			
	2017		2016	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – not designated in a hedge relationship	5,504	5,513	11,941	11,962
Interest rate contracts – cash flow hedges	0	1	0	7
Interest rate contracts – fair value hedges	54	84	122	38
Interest rate contracts – not designated in a hedge relationship	30	29	23	57
Commodity contracts – not designated in a hedge relationship	16	16	52	52
Equity swaps – not designated in a hedge relationship	38	0	15	3
Option component of Exchangeable Bond	0	141	0	122
Total	**5,641**	**5,784**	**12,153**	**12,241**

13.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2017 and 2016, respectively are as follows:

(In € million)	**2017**	2016
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	200	(168)
Designated on initial recognition	(214)	49
Available-for-sale financial assets	(205)	15
Loans and receivables [(1)]	(226)	(93)
Financial liabilities measured at amortised cost	448	123
Total	**4**	**(74)**

(1) Contain among others impairment losses.

14. Events after the Reporting Date

There are no significant events after the reporting date.

Chapter

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 profit for the period of €483 million as shown in the income statements for the financial year 2017 is to be added to retained earnings and that a payment of a gross amount of €1.50 per share shall be made to the shareholders out of retained earnings.

2. Independent Auditor's Report

To: the shareholders and the Board of Directors of Airbus SE

Report on the audit of the Financial Statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 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 2017, and of its result and its cash flows for 2017 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 2017;
- The following statements for 2017: 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	€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 that misstatements in excess of €10 million which 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 89% of total consolidated assets. The remaining 12% of revenues, and 11% of total assets results from entities, none of which individually represents more than 1% of revenues except for one Company that represents 3% of the revenue. For that company we performed a limited scope review. For the remaining entities, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of 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), review and discussion of 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. As part of our audit instructions, we also included questions on key programmes (A380, A350 XWB and A400M) and 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 other 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 other 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 judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of the Board of Directors. 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. Subsidiaries of Airbus SE 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 financial position. Reference is made to disclosure 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 updated 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 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 and assessed related non-privilege documentation. We have enquired 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 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 accounting standards. We observed that the disclosures in the financial statements reflect the current status of the investigation by the UK SFO and France's PNF as well as the review of Business Partner Relationships.
Accounting for construction contracts, including revenue recognition and loss provision	
The amount of revenue and profit recognised in a year is dependent on the assessment of the stage of completion of construction contracts as well as estimated total revenues and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for key programmes such as A400M and A350 XWB. Depending on these assessments, the stage of completion is determined, revenue is recognised and loss provisions are recorded when the contract margin is negative. Provisions for contract losses relate mainly to the A400M and A350 XWB and are recorded when it becomes probable that the estimated total contract costs will exceed estimated total contract revenues. Updates to these provisions can have a significant impact on the Company's result and financial position. The determination of these provisions is based on best available estimates and requires significant management's 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 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 construction contracts. We also performed detailed procedures on individually significant programs, including discussions with the individual Head of Programme, and 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 loss making 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, and paid specific attention for example to technical development, 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. The assumptions and estimates used by management regarding the A400M reflect the current understanding of the signed Declaration of Intent between the Company and the A400M Launch Customer Nations. Regarding the LMC provision of the A350 XWB we noticed that management has updated the LMC provision to reflect the latest estimate for revenue and unit costs as well as latest settlement agreements with customers.

Risk description	Our audit response
Valuation of inventories for contracts accounted for under IAS 18 and completeness of provision for contract losses	
Inventories amount in total to €31 billion, including work in progress of €23 billion for key programmes (accounted for under IAS 18 Revenue recognition, for which revenue and cost of sales are recognised as each aircraft is delivered) such as A380, A350 XWB or A320. Estimates of total contract costs and selling price per aircraft are necessary to determine if the net realisable value impairment or provision for contract losses is required. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial action required to correct any performance issues detected. Due 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 3 'Key estimates and judgements', and notes 20 'Inventories' and 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 provisions and performed detailed procedures including inquiry of the Head of Programmes and corroboration with other audit evidence. We evaluated management's assumptions in the determination of the forecast revenue to be received, cost to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our 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. The assumptions and estimates regarding the A380 include the recent changes in commercial perspectives.
Derivative financial instruments	
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 Consolidated Financial Statements, both in valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potential significant changes in the exchange rate of the US dollar versus the Euro could have a negative 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 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. Finally we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.
IFRS 15	
IFRS 15 'Revenue from Contracts with Customers' will be adopted by Airbus starting 1 January 2018. It will have a significant impact on equity as disclosed in Note 4 'Change in accounting policies and disclosures' of the financial statements.	Airbus performed an initial assessment of the estimated equity impact of IFRS 15 as of 1/1/17. We reviewed the quantitative and qualitative disclosures in Note 4.

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 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 pursuant to 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 of the Board of Directors 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 have detected all material errors and fraud.

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 judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included *e.g.*:

- 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 of the Board of Directors regarding, among 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 of the Board of Directors 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 of the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, 14 February 2018

Ernst & Young Accountants LLP

signed by A.A. van Eimeren

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