

First half-year 2018 Financial Report

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Appendix: Review report of the independent auditor

2018 Semi-annual report of the Board of Directors

1. Semi-annual report on activities

Main events in the first half-year of 2018

For an overview of the main events that occurred during the first half of 2018 and their impact on the Unaudited Condensed Interim IFRS Consolidated Financial Information of the Company for the six-month period ended 30 June 2018 (the “Semi-Annual Financial Statements”), please refer to the press release, which was approved by the Board of Directors on 25 July 2018 and will be issued on 26 July 2018, available on Airbus’ website www.airbus.com.

For further information and detail regarding the Company’s activities, finances, financing, risk factors and corporate governance, please refer to the Company’s website www.airbus.com and the documents posted thereon.

Related party transactions

Please refer to the notes to the Semi-Annual Financial Statements attached hereto (see “– Note 4: Related Party Transactions”).

2. Risk factors

By systematically integrating Enterprise Risk Management (“ERM”) across the company, the Company is mitigating risk and increasing opportunity, to support risk taking for value creation and competitiveness. Consequently, the company has made ERM a key management process, carefully followed by the Board of Directors.

The ERM system plays a key role to:

- make the business more robust and predictable,
- support operational decision making,
- improve the business results,
- reduce the exposure level to risks,
- ensure Airbus ERM compliance regarding the Dutch Corporate Governance Code.

For a description of the Enterprise Risk Management system, the main risks and uncertainties please refer to the:

- a. Airbus SE Report of the Board of Directors 2017 (sections 4.5 and 4.6)
(<http://www.airbus.com/content/dam/events/annual-general-meeting/Report%20of%20the%20Board%20of%20Directors%202017%20Airbus%20SE.pdf>), and
- b. Airbus SE Registration Document (section “Risk Factors”)
(http://www.airbus.com/content/dam/corporate-topics/financial-and-company-information/AIRBUS_Registration_Document_2017_EV.pdf)

3. Semi-Annual Financial Statements

The Semi-Annual Financial Statements, including the review report by Ernst & Young Accountants LLP, are attached hereto.

4. Statement of the Board of Directors

The Board of Directors of Airbus hereby declares that, to the best of its knowledge:

the Semi-Annual Financial Statements for the period ended 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profits or losses of Airbus and undertakings included in the consolidation taken as a whole; and

this Semi-Annual Board Report (including the press release, which was approved by the Board of Directors on 25 July 2018 and will be issued on 26 July 2018) gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the first half of the 2018 financial year and expected course of events of Airbus and undertakings included in the consolidation taken as a whole. This Semi-Annual Board Report has paid special attention to investments and circumstances upon which the development of revenues and profitability is dependent, as these have been described herein.

25 July 2018,

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Victor Chu, Director

Jean-Pierre Clamadieu, Director

Ralph D. Crosby, Director

Lord Paul Drayson, Director

Catherine Guillouard, Director

Hermann-Josef Lamberti, Director

María Amparo Moraleda Martínez, Director

Claudia Nemat, Director

René Obermann, Director

Carlos Tavares, Director

Airbus SE

Unaudited Condensed Interim IFRS Consolidated Financial Information for the six-month period ended 30 June 2018

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Airbus SE Unaudited Condensed Interim IFRS Consolidated Financial Statements

Unaudited Condensed Interim IFRS Consolidated Income Statement

<i>(In € million)</i>	Note	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Revenue ⁽¹⁾	6	24,970	25,175	14,851	13,733
Cost of sales ⁽¹⁾		(21,730)	(22,390)	(12,685)	(11,953)
Gross margin ⁽¹⁾	6	3,240	2,785	2,166	1,780
Selling expenses		(411)	(462)	(226)	(251)
Administrative expenses		(683)	(800)	(326)	(388)
Research and development expenses		(1,403)	(1,288)	(787)	(740)
Other income		310	787	54	84
Other expenses		(43)	(60)	(34)	(39)
Share of profit from investments accounted for under the equity method ⁽¹⁾		81	149	50	107
Other income from investments		29	100	24	83
Profit before financial result and income taxes ⁽¹⁾	6	1,120	1,211	921	636
Interest income		87	81	46	42
Interest expense		(199)	(251)	(95)	(124)
Other financial result ⁽¹⁾		(191)	242	(293)	360
Total financial result ⁽¹⁾	7	(303)	72	(342)	278
Income taxes ⁽¹⁾	8	(324)	(192)	(370)	(233)
Profit for the period ⁽¹⁾		493	1,091	209	681
Attributable to:					
Equity owners of the parent (Net income) ⁽¹⁾		496	1,091	213	682
Non-controlling interests		(3)	0	(4)	(1)
Earnings per share		€	€	€	€
Basic ⁽¹⁾	9	0.64	1.41	0.27	0.88
Diluted ⁽¹⁾	9	0.64	1.40	0.27	0.88

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

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statement of Comprehensive Income

<i>(In € million)</i>	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Profit for the period ⁽¹⁾	493	1,091	209	681
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement of the defined benefit pension plans	(4)	362	257	297
Change in fair value of assets ⁽²⁾	(89)	0	(39)	0
Share of change from investments accounted for under the equity method	8	5	2	(1)
Income tax relating to items that will not be reclassified	6	(113)	(60)	(74)
<i>Items that may be reclassified to profit or loss:</i>				
Foreign currency translation differences for foreign operations	28	(314)	136	(277)
Change in fair value of cash flow hedges	(1,159)	6,746	(3,153)	4,928
Change in fair value of assets ⁽²⁾	(67)	129	(23)	76
Share of change from investments accounted for under the equity method	(6)	(13)	0	(4)
Income tax relating to items that may be reclassified	303	(1,954)	850	(1,441)
Other comprehensive income, net of tax	(980)	4,848	(2,030)	3,504
Total comprehensive income for the period ⁽¹⁾	(487)	5,939	(1,821)	4,185
Attributable to:				
Equity owners of the parent ⁽¹⁾	(478)	5,914	(1,806)	4,170
Non-controlling interests	(9)	25	(15)	15

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

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

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statement of Financial Position

<i>(In € million)</i>	Note	30 June 2018	31 December 2017
Assets			
Non-current assets			
Intangible assets	10	11,581	11,629
Property, plant and equipment	10	16,476	16,610
Investment property		3	3
Investments accounted for under the equity method	11	1,512	1,617
Other investments and other long-term financial assets	12	4,309	4,204
Non-current contract assets	14	123	1
Non-current other financial assets	16	1,634	2,980
Non-current other assets	17	979	975
Deferred tax assets		4,737	4,563
Non-current securities		10,551	10,944
Total non-current assets ⁽¹⁾		51,905	53,526
Current assets			
Inventories	13	33,775	29,737
Trade receivables	14	5,389	5,487
Current portion of other long-term financial assets		564	529
Current contract assets	14	2,399	2,120
Current other financial assets	16	1,824	1,979
Current other assets	17	3,784	2,937
Current tax assets		1,388	914
Current securities		2,086	1,627
Cash and cash equivalents	19	5,138	12,016
Total current assets ⁽¹⁾		56,347	57,346
Assets and disposal group of assets classified as held for sale	3	35	202
Total assets ⁽¹⁾		108,287	111,074

Airbus SE
Unaudited Condensed Interim IFRS Consolidated Financial Information
for the six-month period ended 30 June 2018

<i>(In € million)</i>	Note	30 June 2018	31 December 2017
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		776	775
Reserves ⁽¹⁾		6,908	7,225
Accumulated other comprehensive income ⁽¹⁾		1,569	2,742
Treasury shares		(54)	(2)
Total equity attributable to equity owners of the parent ⁽¹⁾		9,199	10,740
Non-controlling interests		(8)	2
Total equity	18	9,191	10,742
Liabilities			
Non-current liabilities			
Non-current provisions ⁽¹⁾	15	9,843	9,779
Long-term financing liabilities	20	7,636	8,984
Non-current contract liabilities ⁽¹⁾	14	14,670	15,353
Non-current other financial liabilities ⁽¹⁾	16	6,250	6,704
Non-current other liabilities ⁽¹⁾	17	310	298
Deferred tax liabilities ⁽¹⁾		1,298	1,002
Non-current deferred income ⁽¹⁾		47	42
Total non-current liabilities ⁽¹⁾		40,054	42,162
Current liabilities			
Current provisions ⁽¹⁾	15	5,684	6,272
Short-term financing liabilities ⁽¹⁾	20	2,071	2,213
Trade liabilities ⁽¹⁾		13,617	13,406
Current contract liabilities ⁽¹⁾	14	28,797	28,227
Current other financial liabilities ⁽¹⁾	16	2,243	2,050
Current other liabilities ⁽¹⁾	17	4,528	3,909
Current tax liabilities		1,557	1,481
Current deferred income		545	506
Total current liabilities ⁽¹⁾		59,042	58,064
Disposal group of liabilities classified as held for sale	3	0	106
Total liabilities ⁽¹⁾		99,096	100,332
Total equity and liabilities ⁽¹⁾		108,287	111,074

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

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statement of Cash Flows

<i>(In € million)</i>	Note	1 January - 30 June 2018	1 January - 30 June 2017
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income) ⁽¹⁾		496	1,091
Loss for the period attributable to non-controlling interests		(3)	0
<i>Adjustments to reconcile profit for the period to cash provided by operating activities:</i>			
Depreciation and amortization		1,162	1,086
Valuation adjustments ⁽¹⁾		99	(121)
Deferred tax expense (income) ⁽¹⁾		468	20
Change in income tax assets, income tax liabilities and provisions for income tax		(403)	150
Results on disposals of non-current assets		(216)	(764)
Results of investments accounted for under the equity method ⁽¹⁾		(81)	(149)
Change in current and non-current provisions ⁽¹⁾		(385)	(180)
Contribution to plan assets		(126)	(146)
Change in other operating assets and liabilities ⁽¹⁾		(4,501)	(2,907)
Cash (used for) operating activities ⁽¹⁾⁽²⁾		(3,490)	(1,920)
Investing activities:			
Purchases of intangible assets, property, plant and equipment, investment property		(916)	(1,060)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		158	86
Proceeds from disposals of subsidiaries (net of cash)	3	0	740
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(238)	(501)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		220	379
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated		207	0
Change in securities		11	(149)
Cash (used for) investing activities		(558)	(486)
Financing activities:			
Change in financing liabilities		(1,580)	1,512
Cash distribution to Airbus SE shareholders		(1,161)	(1,043)
Dividends paid to non-controlling interests		0	(2)
Changes in capital and non-controlling interests		112	79
Change in treasury shares		(52)	0
Cash (used for) provided by financing activities		(2,681)	546
Effect of foreign exchange rate changes on cash and cash equivalents		(154)	(170)
Net decrease in cash and cash equivalents		(6,883)	(2,030)
Cash and cash equivalents at beginning of period ⁽³⁾		12,021	10,160
Cash and cash equivalents at end of period		5,138	8,130
<i>thereof presented as cash and cash equivalents</i>		5,138	7,887
<i>thereof presented as part of disposal groups classified as held for sale</i>		0	243

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

(2) Cash provided by operating activities has been positively impacted by certain agreements reached with the Company's suppliers and customers relating to the settlement of claims and negotiation on payment terms.

(3) The cash and cash equivalents at the beginning of the period 2018 include € 5 million, which is presented as part of assets of disposal groups classified as held for sale.

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statement of Changes in Equity

<i>(In € million)</i>	Equity attributable to equity owners of the parent	Non-controlling interests	Total Equity
Balance at 1 January 2017, as reported	3,657	(5)	3,652
Restatements ⁽¹⁾	(2,088)	0	(2,088)
Balance at 1 January 2017, restated ⁽¹⁾	1,569	(5)	1,564
Profit for the period ⁽¹⁾	1,091	0	1,091
Other comprehensive income	4,823	25	4,848
Total comprehensive income for the period	5,914	25	5,939
Cash distribution to shareholders / Dividends paid to non-controlling interests	(1,043)	(2)	(1,045)
Capital increase	79	0	79
Share-based payment (IFRS 2)	30	0	30
Equity transaction (IAS 27)	0	(23)	(23)
Balance at 30 June 2017, restated ⁽¹⁾	6,549	(5)	6,544
Balance at 1 January 2018, as reported	13,348	3	13,351
Restatements ^{(1) (2)}	(2,616)	(1)	(2,617)
Balance at 1 January 2018, restated ^{(1) (2)}	10,732	2	10,734
Profit for the period	496	(3)	493
Other comprehensive income	(974)	(6)	(980)
Total comprehensive income for the period	(478)	(9)	(487)
Cash distribution to shareholders / dividends to non-controlling interests	(1,161)	0	(1,161)
Capital increase	112	0	112
Share-based payment (IFRS 2)	52	0	52
Equity transaction (IAS 27)	(6)	(1)	(7)
Change in treasury shares	(52)	0	(52)
Balance at 30 June 2018	9,199	(8)	9,191

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

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

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

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Notes to the Airbus SE Unaudited Condensed Interim IFRS Consolidated Financial Statements

1. The Company

The accompanying Unaudited Condensed Interim IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** and its subsidiaries, a European public limited-liability company (*Societas Europaea*) with its seat (*statutaire zetel*) in Amsterdam, The Netherlands, its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. The Company reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see “– Note 5: Segment Information”). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Unaudited Condensed Interim IFRS Consolidated Financial Statements were authorised for issue by the Company’s Board of Directors on 25 July 2018.

2. Accounting Policies

The Unaudited Condensed Interim 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”) as at 30 June 2018. 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.

These Unaudited Condensed Interim IFRS Consolidated Financial Statements are prepared in compliance with IAS 34 and should be read in conjunction with the IFRS Consolidated Financial Statements as of 31 December 2017. With the exception of the changes highlighted below and applied for the first time in six-month period ended 30 June 2018, the Company’s accounting policies and methods are unchanged compared to 31 December 2017.

The Company has implemented the new standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers” on 1 January 2018. As a result, the Company has changed its accounting policy for revenue recognition and for the accounting of financial instruments as detailed below.

The implementation of other amended standards and new interpretation has no material impact on the Unaudited Condensed Interim IFRS Consolidated Financial Statements as of 30 June 2018.

IFRS 15 “Revenue from Contracts with Customers”

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

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

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

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

The Company will use the practical expedient applicable to the disclosure on the amount of the transaction price allocated to the remaining performance obligations (*i.e.* backlog) and an explanation of when it expects to recognize the amount as revenue. This information will be disclosed as at 31 December 2018 without comparative information.

The Company revised its accounting policies relative to revenue recognition, to implement IFRS 15 “Revenue from contracts with customers” as follows.

Revenue recognition

The Company recognises revenue when it transfers the control of the promised goods and services to the customer. The Company measures revenue, for the consideration to which the Company is expected to be entitled in exchange for transferring promised goods or services. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. The Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations.

Advances and pre-delivery payments (contract liabilities) are normal and not considered a significant financing component as they are intended to protect the Company from the customer failing to complete its obligations under the contract.

Revenue from the sale of commercial aircraft

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

Revenue from the sale of military aircraft, space systems and services

When the control of the produced good and rendered services is transferred over time to the customer, revenue is recognised over time (*i.e.* under the percentage of completion method).

The Company transfers control over time when:

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

For the application of the overtime method (PoC method), the measure of the progress towards complete satisfaction of a performance obligations is based on inputs (*i.e.* cost incurred).

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

The most significant changes result from the following:

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

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

In addition to these changes, IFRS 15 introduced a new class of assets and liabilities “contract assets” and “contract liabilities”.

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

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

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

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

Condensed IFRS Consolidated Statements of Financial Position as at 31 December 2017

<i>(In € million)</i>	As previously reported	IFRS 15	As restated
Non-current assets			
Intangible assets	11,629	0	11,629
Property, plant and equipment	16,610	0	16,610
Investments accounted for under the equity method	1,678	(61)	1,617
Non-current contract assets	0	1	1
Non-current other assets	24,024	(355)	23,669
Total non-current assets	53,941	(415)	53,526
Current assets		0	
Inventories	31,464	(1,727)	29,737
Trade receivables	8,358	(2,871)	5,487
Current contract assets	0	2,120	2,120
Current other assets	8,158	30	8,188
Cash and cash equivalents	12,016	0	12,016
Total current assets	59,996	(2,448)	57,548
Total assets	113,937	(2,863)	111,074
Equity and liabilities			
Total equity	13,351	(2,609)	10,742
Liabilities			
Non-current liabilities			
Non-current provisions	10,153	(374)	9,779
Non-current contract liabilities	0	15,353	15,353
Non-current other liabilities	34,302	(17,272)	17,030
Total non-current liabilities	44,455	(2,293)	42,162
Current liabilities			
Current provisions	6,575	(303)	6,272
Trade liabilities	13,444	(38)	13,406
Current contract liabilities	0	28,227	28,227
Current other liabilities	36,112	(25,847)	10,265
Total current liabilities	56,131	2,039	58,170
Total liabilities	100,586	(254)	100,332
Total equity and liabilities	113,937	(2,863)	111,074

Condensed IFRS Consolidated Income Statements for the six-month period ended 30 June 2017

<i>(In € million)</i>	As previously reported	IFRS 15	As restated
Revenue	28,709	(3,534)	25,175
Cost of sales	(25,341)	2,951	(22,390)
Gross margin	3,368	(583)	2,785
Selling, administrative and other expenses	(1,322)	0	(1,322)
Research and development expenses	(1,288)	0	(1,288)
Other income	787	0	787
Share of profit from investments accounted for under the equity method and other income from investment	246	3	249
Profit before financial result and income taxes (EBIT)	1,791	(580)	1,211
Total financial result	66	6	72
Income taxes	(354)	162	(192)
Profit for the period	1,503	(412)	1,091

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 de-recognition of financial instruments from IAS 39.

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

Classification and Measurement

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

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

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

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

Financial assets at fair value through other comprehensive income — This category comprises:

- (i) Equity investments that are not held for trading. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) are recognised in OCI. Unlike the treatment of “available-for-sale” equity investments under IAS 39, amounts presented in OCI are not subsequently transferred to profit and loss on de-recognition of the equity investment nor in the event of an impairment. The Company has re-measured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using valuation methods such as net asset values or a comparable company valuation multiples technique.
- (ii) Debt instruments where contractual cash flows are solely payments of principal and interest, and that are held both for sales and collecting contractual cash flows. These instruments include the bond securities portfolio and are measured in a manner similar to the “available-for-sale” debts instruments under IAS 39.

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

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

Impairment

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

Hedge Accounting

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

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

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

New Hedge Strategy

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

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month. In contrast to the first flow approach that was previously used (which is described in Note 35.1 to the 2017 IFRS Consolidated Financial Statements), the new strategy assigns the hedging instruments to a specified number of monthly deliveries of a specific aircraft type, and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

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

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

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

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

The hedging strategies otherwise used by the group are essentially the same as those used before transition to IFRS 9 and are described in detail in Note 35.1 to the 2017 IFRS Consolidated Financial Statements. In some cases, the currency basis spread was excluded from the hedge on transition to IFRS 9 in order to improve hedge effectiveness. Changes in the currency basis spread will be accounted for as a cost of hedging similar to the time value of options. This change in the hedge designation had no impact on other comprehensive income or equity as of 1 January 2018, nor will it affect future profit and loss when the hedges mature (unless exceptional circumstances apply).

IFRS 9 Total Equity Impacts

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

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

Airbus SE
Unaudited Condensed Interim IFRS Consolidated Financial Information
for the six-month period ended 30 June 2018

The following table shows the measurement categories of financial instruments:

<i>(In € million)</i>	Measurement categories according to IAS 39	Measurement categories according to IFRS 9	Carrying amount according to IAS 39 at 31 December 2017	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
		<u>Fair value through OCI</u>		<u>1,088</u>
Equity investments	Available-for-sale	Fair value through profit and loss	2,441	1,353
		<u>Fair value through OCI</u>		<u>771</u>
Customer financings	Loans and receivables	Fair value through profit and loss	771	771
Other loans	Loans and receivables	Amortised cost	1,521	1,521
Trade receivables ⁽¹⁾	Loans and receivables	Amortised cost	5,487	5,487
Other financial assets				
		<u>Fair value through OCI</u>		<u>3,564</u>
Derivative instruments ⁽²⁾	Fair value through profit and loss	Fair value through profit and loss	3,564	3,564
Non-derivative instruments	Loans and receivables	Amortised cost	1,395	1,395
Securities	Available-for-sale	Fair value through OCI	12,571	12,571
		<u>Fair value through OCI</u>		<u>6,256</u>
		Fair value through profit and loss	6,256	6,256
		<u>Fair value through OCI</u>		<u>900</u>
Cash and cash equivalents	Available-for-sale	Fair value through profit and loss	2,085	1,185
		<u>Fair value through OCI</u>		<u>3,675</u>
	Loans and receivables	Amortised cost	3,675	3,675
Total ⁽¹⁾			39,766	39,766
Liabilities				
Financing liabilities				
Issued bonds and commercial papers	Amortised cost	Amortised cost	(7,063)	(7,063)
Liabilities to banks and other financing liabilities ⁽¹⁾	Amortised cost	Amortised cost	(3,792)	(3,792)
Finance lease liabilities	Other	Other	(342)	(342)
Other financial liabilities				
		<u>Fair value through OCI</u>		<u>(2,271)</u>
Derivative instruments ⁽²⁾	Fair value through profit and loss	Fair value through profit and loss	(2,271)	(2,271)
European Government refundable advances	Amortised cost	Amortised cost	(5,901)	(5,901)
Others ⁽¹⁾	Amortised cost	Amortised cost	(582)	(582)
Trade liabilities ⁽¹⁾	Amortised cost	Amortised cost	(13,406)	(13,406)
Total ⁽¹⁾			(33,357)	(33,357)

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

(2) Most derivative instruments are designated as hedging instruments in cash flow hedges.

IFRS 16 “Leases”

The application of IFRS 16 is mandatory for the first interim period beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees, as the distinction between operating and finance lease is removed. Under IFRS 16, a lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make future lease payments. The only exemptions are short-term and low-value asset leases.

The standard will affect primarily the accounting for operating leases where the Company is a lessee. The accounting for lessors will not change significantly: lessors must continue to distinguish between finance and operating lease.

The detailed assessment of IFRS 16 impact on operating leases and on the Company's Consolidated Financial Statements is currently in progress. The preliminary outcome of the data collection process is that the Company's main operating leases seem to be limited to real estate assets, company cars and equipment. In parallel, the Company has initiated the implementation of an IT tool to be used both to manage the Company's leases and to generate IFRS 16 calculations. So far, the most significant potential impact identified by the Company relates to its operating leases of real estate assets (such as land, warehouses, storage facilities and offices).

The final impact of IFRS 16 on the Consolidated Financial Statements in the period of initial application will depend on future economic conditions under assessment, the composition of the lease portfolio at that date and the estimation of the lease terms.

Use of Estimates and Judgements

In preparing the Unaudited Condensed Interim IFRS Consolidated Financial Statements, management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in the Company's IFRS Consolidated Financial Statements as of 31 December 2017. These estimates are revised if the underlying circumstances have evolved or in light of new information.

The only exception is the estimate of income tax liabilities which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

3. Acquisitions and Disposals

Acquisitions

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

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

On 1 July 2018, Airbus has taken the control of C-Series programme by acquiring 50.01% Class-A ownership units in CSALP. Bombardier and IQ will own approximately 34% and 16%, respectively. Airbus will consolidate CSALP effective from 1 July 2018 onwards. At closing, Airbus paid US\$ 1 per share to assume a net liability. The purchase price allocation has not been completed yet. Technology, inventories are the main assets acquired. Airbus will assume the liabilities of CSALP which are mainly relative to onerous contract provisions, unfavourable contract margins and trade payables. The allocation of the purchase price is on-going. Airbus will use the full goodwill approach to account for this transaction. As a result, Bombardier's and IQ interests in CSALP will be measured at their estimated fair value.

Airbus will benefit from call rights in respect of all of Bombardier's interest in CSALP at fair market value, with the amount for non-voting participating shares used by Bombardier capped at the invested amount plus accrued but unpaid dividends, including a call right exercisable no earlier than 7.5 years following the closing, except in the event of certain changes in the control of Bombardier, in which case the right is accelerated. Bombardier will benefit from a corresponding put right whereby it could require that Airbus acquire its interest at fair market value after the expiry of the same period. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interest in the partnership.

At exercise of put/call options, Airbus and Bombardier each to select an internationally recognised independent investment banks to perform valuation. If midpoints of first 2 valuation firms represent a deviation of 10% or less from the lowest midpoint, then Fair Market Value will equal the mean of such 2 midpoints. If midpoints of the first 2 valuation firms represent a deviation of more than 10% from the lowest midpoint, then Fair Market Value will equal the mean of midpoints of a third valuation firm and the other valuation firm whose midpoint is closest to midpoint of such third valuation firm.

Airbus will recognise a financial liability at fair value for those puttable instruments for the estimated exercise price of the written put options on non-controlling interests (Bombardier put option and IQ Tag along). Changes in the fair value of the liability will be recognised directly in equity.

Bombardier will continue with its current funding plan of CSALP. Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of US\$ 225 million; during 2019, up to a maximum of US\$ 350 million; and up to a maximum aggregate amount of US\$ 350 million over the following two years, in consideration for non-voting participating shares of CSALP.

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 partnership's head office, primary assembly line and related functions will be based in Mirabel, Québec (Canada).

Disposals

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

Assets and Disposal Groups Classified as Held for Sale

As of 30 June 2018, the Company accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 35 million (prior year-end: € 202 million).

4. Related Party Transactions

The Company has entered into various transactions with related entities that have all been carried out in the normal course of business.

The Company participates in the UK in several funded trustee-administered pension plans, some of which have BAE Systems as principal employer.

5. Segment Information

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

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

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

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

Business segment information for the six-month period ended 30 June 2018 is as follows:

<i>(In € million)</i>	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	18,546	2,388	4,652	0	25,586
Internal revenue	(379)	(199)	(38)	0	(616)
Revenue	18,167	2,189	4,614	0	24,970
<i>thereof:</i>					
<i>sales of goods at a point in time</i>	16,749	973	1,251	0	18,973
<i>sales of goods over time</i>	9	216	1,879	0	2,104
<i>services, including sale of spare parts</i>	1,409	1,000	1,484	0	3,893
Profit (loss) before financial result and income taxes (EBIT)	773	114	382	(149)	1,120
<i>thereof research and development expenses</i>	(975)	(147)	(136)	(145)	(1,403)
Interest result					(112)
Other financial result					(191)
Income taxes					(324)
Profit for the period					493

Business segment information for the six-month period ended 30 June 2017 is as follows: ⁽¹⁾

<i>(In € million)</i>	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	18,182	2,716	4,900	0	25,798
Internal revenue	(317)	(257)	(49)	0	(623)
Revenue	17,865	2,459	4,851	0	25,175
<i>thereof:</i>					
<i>sales of goods at a point in time</i>	16,449	1,037	1,112	0	18,598
<i>sales of goods over time</i>	0	165	2,285	0	2,450
<i>services, including sale of spare parts</i>	1,416	1,257	1,454	0	4,127
Profit (loss) before financial result and income taxes (EBIT)	381	80	832	(82)	1,211
<i>thereof research and development expenses</i>	(894)	(142)	(144)	(108)	(1,288)
Interest result					(170)
Other financial result					242
Income taxes					(192)
Profit for the period					1,091

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

6. Revenue, Gross Margin and Profit before Financial Result and Income Taxes

Revenue decreased by € -205 million to €24,970 million (first half-year 2017 (restated): €25,175 million), mainly due to a decrease at Airbus Helicopters (€ -328 million) and Airbus Defence and Space (€ -248 million), partly offset by an increase at Airbus (€ +364 million).

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

<i>(In € million)</i>	1 January - 30 June 2018	1 January - 30 June 2017
Europe	8,001	7,744
Asia-Pacific	6,748	8,202
North America	5,167	4,333
Middle East	2,896	2,908
Latin America	546	222
Other Countries	1,612	1,766
Total	24,970	25,175

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

The **gross margin** increased by € +455 million to €3,240 million compared to €2,785 million in the first half-year 2017 (restated). The gross margin rate increased from 11.1% (restated) to 13.0%.

In the first half-year 2018, Airbus has delivered 40 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of June 2018 have been reflected in the financial statements.

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

8 A400M aircraft were delivered in 2018. In total, 65 aircraft have been delivered as of 30 June 2018. The Company continued with development activities toward achieving the revised capability roadmap. Retrofit activities are progressing.

In 2017, the Company entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 7 February 2018 agreeing on a global re-baselining of the contract, including a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule. The DOI represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. The Company is working together with OCCAR and the customer Nations on turning the DOI into a contract amendment within 2018.

A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of €1,299 million for the year 2017, thereof €1,149 million in the fourth quarter 2017 (restated equivalent loss following the implementation of IFRS 15 was €992 million for the year 2017, thereof €726 million in the fourth quarter 2017). Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engine, and on cost reductions as per the revised baseline. The year end 2017 assessment remains operationally unchanged as of 30 June 2018. A technical update during the first half-year 2018 reflecting price escalation resulted in a charge of €98 million.

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.

The **profit before financial result and income taxes** decreased by € -91 million to €1,120 million compared to €1,211 million in the first half-year 2017 (restated), mainly driven by a decrease in other income.

Other income decreased by € -477 million to €310 million compared to €787 million in the first half-year 2017, which included the capital gain from the sale of the defence electronics business and the completion of the allocation of the purchase price of ArianeGroup at Airbus Defence and Space.

7. Total Financial Result

Total financial result deteriorated by € -375 million to € -303 million compared to €72 million in the first half-year 2017. This is mainly due to the negative impact from foreign exchange valuation of monetary items, partly offset by the net effect of the change of treatment of certain financial instruments under IFRS 9.

8. Income Taxes

The **income tax** expense of €-324 million (first half-year 2017 (restated): €-192 million) corresponds to an effective tax rate of 39.7% (first half-year 2017 (restated): 15.0%). This includes a deferred tax asset impairment, partially offset by the sale of Plant Holdings, Inc. (see “– Note 3: Acquisitions and Disposals”) and the revaluation of certain equity investments under IFRS 9 (see “– Note 2: Accounting Policies”), both tax-free.

9. Earnings per Share

	1 January - 30 June 2018	1 January - 30 June 2017
Profit for the period attributable to equity owners of the parent (Net income) ⁽¹⁾	€ 496 million	€ 1,091 million
Weighted average number of ordinary shares	774,129,413	773,223,614
Basic earnings per share ⁽¹⁾	€0.64	€1.41

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

Diluted earnings per share – The Company’s categories of dilutive potential ordinary shares are share-settled Performance Units relating to **Long-Term Incentive Plans (“LTIP”)** and the **convertible bond** issued on 1 July 2015. During the first half-year 2018, the average price of the Company’s shares exceeded the exercise price of the share-settled Performance Units and therefore 672,955 shares (first half-year 2017: 461,810 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 the first half-year 2018, by adding back € 3 million of interest expense to the profit for the period attributable to equity owners of the parent (first half-year 2017: € 3 million) and by including 5,022,990 of dilutive potential ordinary shares.

	1 January - 30 June 2018	1 January - 30 June 2017
Profit for the period attributable to equity owners of the parent (Net income) ⁽¹⁾	€ 499 million	€ 1,094 million
Weighted average number of ordinary shares (diluted) ⁽²⁾	779,825,358	778,708,414
Diluted earnings per share ⁽¹⁾	€0.64	€1.40

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

(2) Dilution assumes conversion of all potential ordinary shares.

10. Intangible Assets and Property, Plant and Equipment

Intangible assets decreased by €-48 million to € 11,581 million (prior year-end: € 11,629 million). Intangible assets mainly relate to goodwill of € 9,141 million (prior year-end: € 9,141 million).

Property, plant and equipment decreased by €-134 million to € 16,476 million (prior year-end (restated): € 16,610 million) mainly at Airbus (€-95 million). Property, plant and equipment includes leased assets of € 62 million (prior year-end: € 52 million).

11. Investments Accounted for under the Equity Method

Investments accounted for under the equity method decreased by €-105 million to € 1,512 million (prior year-end (restated): € 1,617 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR.

12. Other Investments and Other Long-Term Financial Assets

<i>(In € million)</i>	30 June 2018	31 December 2017
Other investments	2,693	2,441
Other long-term financial assets	1,616	1,763
Total non-current other investments and other long-term financial assets	4,309	4,204
Current portion of other long-term financial assets	564	529
Total	4,873	4,733

Other investments mainly comprise the Company’s participations. The significant participations at 30 June 2018 include the remaining investment in Dassault Aviation amounting to € 1,347 million (prior year-end: € 1,071 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of € 1,458 million as of 30 June 2018 (prior year-end: € 1,521 million), and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

13. Inventories

Inventories of € 33,775 million (prior year-end (restated): € 29,737 million) increased by € +4,038 million. This is mainly driven by Airbus (€ +3,302 million), and reflects an increase in work in progress associated with A320 programme ramp-up, and Airbus Defence and Space (€ +506 million).

14. Contract Assets, Contract Liabilities and Trade Receivables

As of 30 June 2018, **contract assets** include receivables from revenue recognised on overtime contracts in the amount of € 10,616 million (prior year-end: € 11,349 million) and **contract liabilities** include customer advance payment received in the amount of € 49,482 million (prior year-end: € 47,580 million).

15. Provisions

<i>(In € million)</i>	30 June 2018	31 December 2017
Provisions for pensions	8,447	8,361
Other provisions	7,080	7,690
Total	15,527	16,051
<i>thereof non-current portion</i>	<i>9,843</i>	<i>9,779</i>
<i>thereof current portion</i>	<i>5,684</i>	<i>6,272</i>

Other provisions are presented net of programme losses against inventories (see “– Note 13: Inventories”).

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

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

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities 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.

16. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

<i>(In € million)</i>	30 June 2018	31 December 2017
Positive fair values of derivative financial instruments	1,546	2,901
Others	88	79
Total non-current other financial assets	1,634	2,980
Receivables from related companies	931	992
Positive fair values of derivative financial instruments	467	663
Others	426	324
Total current other financial assets	1,824	1,979
Total	3,458	4,959

Other Financial Liabilities

<i>(In € million)</i>	30 June 2018	31 December 2017
Liabilities for derivative financial instruments	851	1,127
European Governments refundable advances	5,359	5,537
Others ⁽¹⁾	40	40
Total non-current other financial liabilities ⁽¹⁾	6,250	6,704
Liabilities for derivative financial instruments	1,321	1,144
European Governments refundable advances	392	364
Liabilities to related companies ⁽¹⁾	208	199
Others	322	343
Total current other financial liabilities ⁽¹⁾	2,243	2,050
Total ⁽¹⁾	8,493	8,754

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

17. Other Assets and Other Liabilities

Other Assets

<i>(In € million)</i>	30 June 2018	31 December 2017
Cost to fulfil a contract ⁽¹⁾	882	868
Prepaid expenses ⁽¹⁾	28	15
Others ⁽¹⁾	69	92
Total non-current other assets ⁽¹⁾	979	975
Value added tax claims	2,422	1,892
Cost to fulfil a contract ⁽¹⁾	499	522
Prepaid expenses ⁽¹⁾	304	146
Others	559	377
Total current other assets ⁽¹⁾	3,784	2,937
Total ⁽¹⁾	4,763	3,912

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

Other Liabilities

<i>(In € million)</i>	30 June 2018	31 December 2017
Others ⁽¹⁾	310	298
Total non-current other liabilities ⁽¹⁾	310	298
Tax liabilities (excluding income tax)	1,829	1,397
Others	2,699	2,512
Total current other liabilities ⁽¹⁾	4,528	3,909
Total ⁽¹⁾	4,838	4,207

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

18. Total Equity

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

<i>(In number of shares)</i>	30 June 2018	31 December 2017
Issued as at 1 January	774,556,062	772,912,869
Issued for ESOP	1,317,465	1,643,193
Issued for exercised options	0	0
Cancelled	0	0
Issued at end of period	775,873,527	774,556,062
Treasury shares	(679,940)	(129,525)
Outstanding at end of period	775,193,587	774,426,537

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

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 9,199 million (prior year-end (restated): € 10,740 million) representing a decrease of € -1,541 million. This is due to a dividend payment of € -1,161 million (€ 1.35 per share), and a decrease in other comprehensive income of € -974 million, principally related to the mark to market revaluation of the hedge portfolio of € -866 million, partly compensated by a net income for the period of € 496 million.

The non-controlling interests ("NCI") from non-wholly owned subsidiaries decreased to € -8 million as of 30 June 2018 (prior year-end: € 2 million).

19. Net Cash

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

<i>(In € million)</i>	30 June 2018	31 December 2017
Cash and cash equivalents	5,138	12,016
Current securities	2,086	1,627
Non-current securities	10,551	10,944
Gross cash position	17,775	24,587
Short-term financing liabilities	(2,071)	(2,213)
Long-term financing liabilities	(7,636)	(8,984)
Total	8,068	13,390

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

<i>(In € million)</i>	30 June 2018	31 December 2017
Bank account and petty cash	1,446	3,672
Short-term securities (at fair value through profit and loss)	2,107	6,256
Short-term securities (at fair value through other comprehensive income) ⁽¹⁾	1,599	2,085
Others	(14)	8
Total cash and cash equivalents	5,138	12,021
Recognised in disposal groups classified as held for sale	0	5
Recognised in cash and cash equivalents	5,138	12,016

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

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

Financing Liabilities

<i>(In € million)</i>	30 June 2018	31 December 2017
Bonds	6,557	6,551
Liabilities to financial institutions	351	1,722
Loans	410	385
Liabilities from finance leases	317	325
Others ⁽¹⁾	1	1
Long-term financing liabilities	7,636	8,984
Bonds	502	512
Liabilities to financial institutions	97	290
Loans	129	144
Liabilities from finance leases	17	17
Others ⁽¹⁾	1,326	1,250
Short-term financing liabilities	2,071	2,213
Total	9,707	11,197

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by €-1,348 million to €7,636 million (prior year-end: €8,984 million), mainly as a result of early settlement of liabilities to financial institutions with the European Investment Bank ("EIB").

Short-term financing liabilities decreased by €-142 million to €2,071 million (prior year-end: €2,213 million).

20. Information about Financial Instruments

The following table presents the composition of derivative financial instruments:

<i>(in € million)</i>	30 June 2018	31 December 2017
Non-current positive fair values	1,546	2,901
Current positive fair values	467	663
Total positive fair values of derivative financial instruments	2,013	3,564
Non-current negative fair values	(851)	(1,127)
Current negative fair values	(1,321)	(1,144)
Total negative fair values of derivative financial instruments	(2,172)	(2,271)
Total net fair values of derivative financial instruments	(159)	1,293

The total net fair value of derivative financial instruments decreased by €-1,476 million to €-183 million (prior year-end: €1,293 million) as a result of the strengthened US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The volume of hedged US dollar-contracts was US\$ 80.3 billion as at 30 June 2018 (prior year-end: US\$ 88.7 billion). The US dollar spot rate was 1.17 US\$/€ and 1.20 US\$/€ at 30 June 2018 and at 31 December 2017, respectively. The average US dollar hedge rate for the hedge portfolio of the Company remains at 1.23 US\$/€ as at 30 June 2018.

Carrying Amounts and Fair Values of Financial Instruments

Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies as described in detail in Note 35.2 to the 2017 IFRS Consolidated Financial Statements. For the first half-year 2018, the Company has applied the same methodologies for the fair value measurement of financial instruments. In addition, the Company has remeasured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using common valuation methods such as net asset values or a comparable company valuation multiples technique.

Carrying amount is a reasonable approximation of fair value for all classes of financial instruments listed in the first table of Note 35.2 to the 2017 IFRS Consolidated Financial Statements, with the exception of:

<i>(In € million)</i>	30 June 2018		31 December 2017	
	Book Value	Fair Value	Book Value	Fair Value
Financing liabilities				
Issued bonds and commercial papers	(7,059)	(7,261)	(7,063)	(7,363)
Liabilities to banks and other financing liabilities	(2,314)	(2,328)	(3,791)	(3,838)

Fair Value Hierarchy

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

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

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

<i>(In € million)</i>	30 June 2018				31 December 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	2,224	0	0	2,224	1,963	0	0	1,963
Derivative instruments	0	2,013	0	2,013	0	3,564	0	3,564
Securities	10,597	2,040	0	12,637	10,995	1,576	0	12,571
Cash equivalents	2,107	1,599	0	3,706	6,256	2,085	0	8,341
Total	14,928	5,652	0	20,580	19,214	7,225	0	26,439
Financial liabilities measured at fair value								
Derivative instruments	0	(2,090)	(28)	(2,118)	0	(2,268)	(3)	(2,271)
Total	0	(2,090)	(28)	(2,118)	0	(2,268)	(3)	(2,271)

21. Litigation and Claims

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

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

WTO

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

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

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

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

GPT

Prompted by a whistleblower's allegations, the Company conducted internal audits and retained PricewaterhouseCoopers ("PwC") to conduct an independent review relating to GPT Special Project Management Ltd. ("GPT"), a subsidiary that the Company acquired in 2007. The allegations called into question a service contract entered into by GPT prior to its acquisition by the Company, relating to activities conducted by GPT in Saudi Arabia. PwC's report was provided by the Company 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. The Company is in continuing engagement with the authorities.

Eurofighter Austria

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

Investigation by the UK SFO and France's PNF

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

ECA Financing

A first ECA application since 2016 for financing submitted by the Company under the process previously agreed with the ECAs was accepted by the ECAs and ECA cover was granted in Q1 2018. 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

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

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

Following a review of its US regulatory compliance procedures, the Company 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). The Company is cooperating with the US authorities. The Company is unable to reasonably estimate the time it may take to resolve the matter or the amount or range of potential loss, penalty or other government action, if any, that may be incurred in connection with this matter.

Review of Business Partner Relationships

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

Commercial Disputes

In May 2013, the Company was notified of a commercial dispute following the decision taken by the Company to cease a partnership for sales support activities in some local markets abroad. The Company believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2019 at the earliest.

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

22. Number of Employees

	Airbus	Airbus Helicopters	Airbus Defence and Space	Consolidated Airbus
30 June 2018	77,375	19,894	32,181	129,450
31 December 2017	77,163	20,108	32,171	129,442

23. Events after the Reporting Date

On 1 July 2018, Airbus has taken the control of the CSALP partnership (see “– Note 3: Acquisitions and Disposals”).

Review report

To: the board of directors of Airbus SE

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Airbus SE, Amsterdam, which comprises the condensed consolidated statement of financial position as at 30 June 2018, the condensed consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended 30 June 2018, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Amsterdam, 25 July 2018

Ernst & Young Accountants LLP

A.A. van Eimeren