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

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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

(In € million)	Note	Equity attributable to equity holders of the parent			Accumulated other comprehensive income					Non-controlling interests	Total equity
		Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total		
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).

1

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.

2

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.

2

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).

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**

2

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.

2

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

(In € million)	31 December 2017 Gross amount	Write-down	Net book value	31 December 2016 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

(In € million)	31 December 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

2

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:

(In € million)	DBO			Plan assets			
	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:

	2017			2016		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	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:

	Pension plans of Airbus					
(In € million)	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**					

2

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.

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

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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:

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	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

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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).

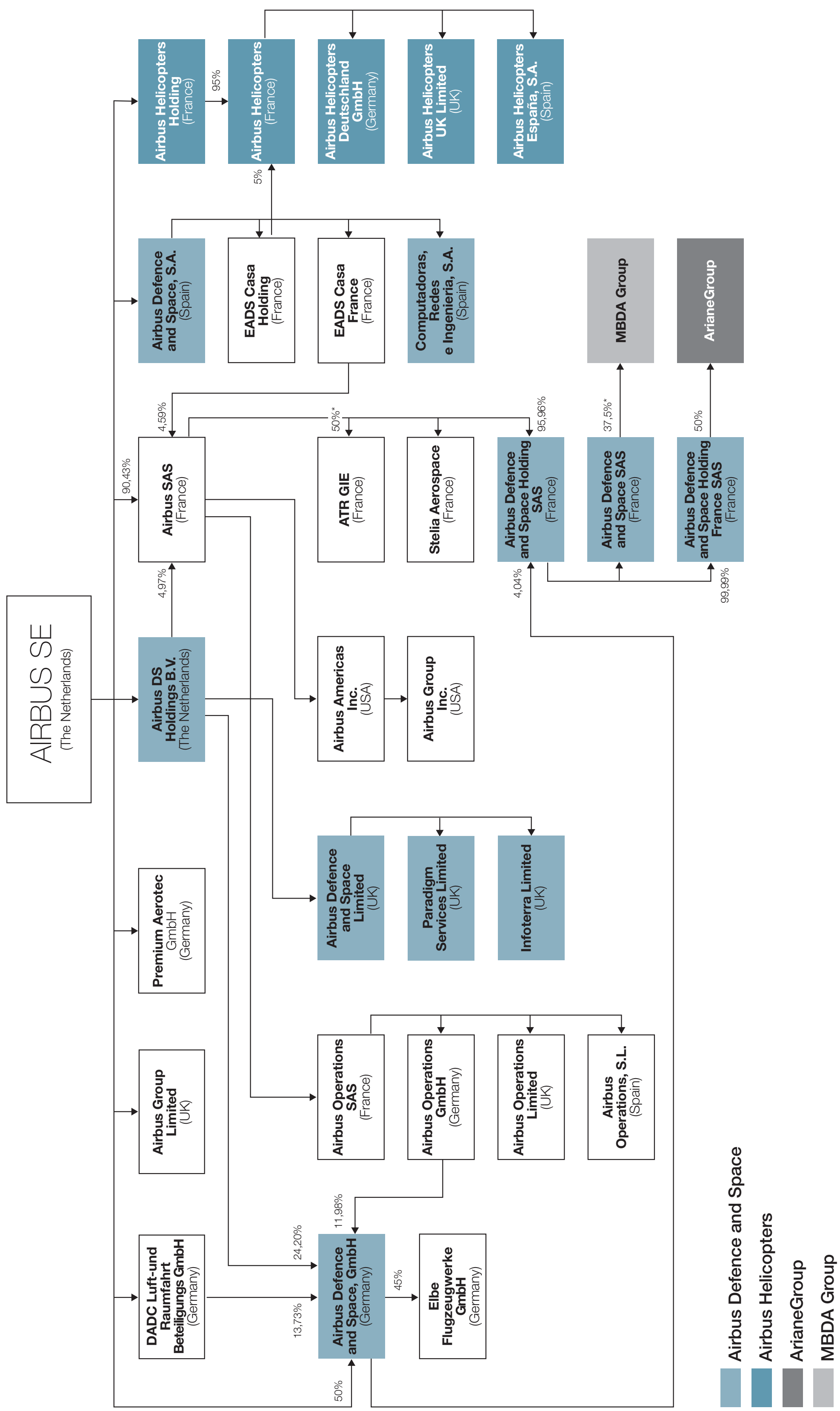
38. Events after the Reporting Date

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 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.

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	Company	Head office
(in % [1])			
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**	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 Held for trading	Designated	Fair value for hedge relations Fair value	Available-for-sale Book value	Fair value	Loans and receivables and financial liabilities at amortised cost Amortised cost	Fair value	Financial instruments total 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:

(In € million)	**31 December 2017** Level 1	Level 2	Total	31 December 2016 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:

				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	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

Report of the Board of Directors

(Issued as of 14 February 2018)

Dear Shareholders,

This is the Report of the Board of Directors (the "**Board Report**") on the activities of Airbus SE (the "**Company**" and together with its subsidiaries "**Airbus**") during the 2017 financial year, prepared in accordance with Dutch law.

For further information regarding Airbus' business, finances, risk factors and corporate governance, please refer to the Company's website: www.airbus.com

1. General Overview

With consolidated revenues of € 66.8 million 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 Europe's number one space enterprise and the world's second largest space business. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2017, it generated approximately 85% of its total revenues in the civil sector and 15% in the defence sector. As of 31 December 2017, Airbus' active headcount was 129,442 employees.

Mid-2017, in the latest phase of its integration journey that began in 2012, Airbus' corporate structure has been fully merged with the commercial aircraft business, introducing a two division organisation – namely Helicopters and Defence and Space. In view of this simplification, Airbus introduced a single Airbus brand for the Company and all its subsidiaries, effective since January 2017.

2. Summary 2017

At the start of the year the Company set itself the following ‘Priorities’ for 2017, which were shared with all employees:

Deliver critical programmes (ramp-up A350 & A320, A400M) **to secure EBIT and Free Cash Flow targets,** retain market trust and ability to invest in future;
Deliver customer value through improved operational performance and efficiency (Quantum, Gemini, reduced CNQ, improved industrial performance of supply chain);
Accelerate digital transformation and innovation, partnering inside and out to secure key strategic orientations (Quantum, new CTO and DTO, A^3, urban air mobility, DroneLab, The Hub, mobile solutions for all employees);
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. Create an inclusive, values-driven and engaging working environment with highest safety & environmental standards. Role model new ways of working to boost empowerment, accountability and collaboration. Develop current and future leaders for what’s next.

2017 was a year of progress and new organisational challenges for Airbus. It integrated the former Group structure with its largest division, Commercial Aircraft. Additionally, it passed a series of key milestones in major programmes, renewed and upgraded its product portfolio, and took important decisions to adapt and streamline its business portfolio:

- Airbus deliveries in 2017 were up for the 15th year in a row, reaching a new Company record of 718 aircraft to 85 customers. Deliveries were more than 4 % higher than the previous record of 688 set in 2016.
- Airbus delivered its 100th A350 XWB, just some 30 months after the first delivery of the world’s most modern widebody aircraft in December 2014 and it also delivered its 50th A320 Family aircraft assembled in the U.S.
- The latest member of Airbus’ leading widebody family, the A350-1000, received Type Certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) less than one year after its first flight.
- The first A330neo took off for its maiden flight bringing together new-generation technology and high operational efficiency that builds on the in-service experience of its A330 and A350 XWB aircraft families.
- Emirates celebrated the milestone delivery of its 100th Airbus A380 aircraft at a special ceremony with Airbus.
- Airbus’ A340 laminar-flow “BLADE” (*Breakthrough Laminar Aircraft Demonstrator in Europe*) test demonstrator aircraft made its successful maiden flight for the EU-sponsored Clean Sky “BLADE” project which aims to improve aviation’s ecological footprint, bringing with it a 50% reduction of wing friction and up to 5 % lower CO_2 emissions.
- The super medium helicopter H175 for which the avionics upgrade enhances the offshore mission capability providing fully automatic rig approaches and reinforces flight safety, has received EASA certification for the Rig’N Fly (Rig Integrated GPS approaches with eNhanced Flyability and safetY).
- Airbus Helicopters rolled-out the 700th H130 light single-engine helicopter that has so far accumulated more than 1.8M flight hours with 340 operators worldwide.
- The third H160 prototype (PT3) performed its maiden flight. It will contribute to certification activities and flight testing to ensure the aircraft’s level of maturity ahead of entry into service.
- The H145 simulator at the Airbus Helicopters Training Academy in Germany has been awarded level D status by the German Federal Aviation Office – the highest possible certification for a full flight simulator.
- EUTELSAT 172B, the first high power all-electric telecommunications satellite worldwide built by Airbus for Eutelsat, was successfully launched by Ariane 5 and reached geostationary orbit, breaking the record for the fastest satellite electric orbit raising (EOR).

- Airbus Aerial was set up to develop new imagery services, using drone and satellite technology.
- A OneWeb satellite production line was inaugurated in Toulouse.
- Airbus, Rolls-Royce, and Siemens have formed a partnership which aims at developing a near-term flight demonstrator that will be a significant step forward in hybrid-electric propulsion for commercial aircraft.
- In 2017, the Airbus Foundation sent aid to the victims of hurricane "Irma" to multiple islands in the Caribbean and to the earthquake victims in Mexico. In total, it performed 16 humanitarian flights carrying 117 tonnes. The flagship programme Flying Challenge received three awards recognising the positive impact on communities and its deployment continued covering now 15 sites across the world. Additionally, the Airbus Little Engineer programme was deployed in Kenya, Nigeria, Singapore and India. Finally, in 2017, the Airbus Foundation opened the Discovery Space Centre offering students the opportunity to combine STEM (science, technology, engineering and mathematics) learning by observing engineers working on a real project, such as Exo Mars Rover.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2017, the Company's issued share capital amounted to € 774,556,062 divided into 774,556,062 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 25.82% of the authorised share capital of € 3 billion comprising 3 billion shares. The holder of one issued share has one vote and is entitled to profit in proportion to his participation in the issued share capital[1].

Modification of share capital or rights attached to shares

The shareholders' meeting has the power to authorise the issuance of shares. The shareholders' meeting may also authorise the Board of Directors, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of Airbus. For the contractual position as to pre-emption rights, see "- 3.2.: Relationship with Principal Shareholders".

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors, for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the Articles of Association 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

1 Except for the shares held by the Company itself.

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 Annual General Meeting ("**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 2018, 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 independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at the meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 12 April 2017, the Board of Directors and the Chief Executive Officer ("**CEO**") were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

Securities granting access to the Company's capital

Except for convertible bonds (See "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Financing Liabilities"), there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the convertible bonds issued as of 31 December 2017 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights*
Total number of the Company's shares issued as of 31 December 2017	774,556,062	99.356%	774,426,537	99.356%
Total number of the Company's shares which may be issued following exercise of the convertible bonds	5,022,990	0.644%	5,022,990	0.644%
Total potential share capital of the Company	779,579,052	100%	779,449,527	100%

(*) The potential dilutive effect on capital and voting rights of the exercise of these convertible bonds may be limited as a result of the Company's share repurchase programmes and in the case of subsequent cancellation of repurchased shares.

Changes in the issued share capital in 2017

In the course of 2017, a total number of 1,643,193 new shares were issued, all in the framework of the 2017 Employee Share Ownership Plan ("**ESOP**").

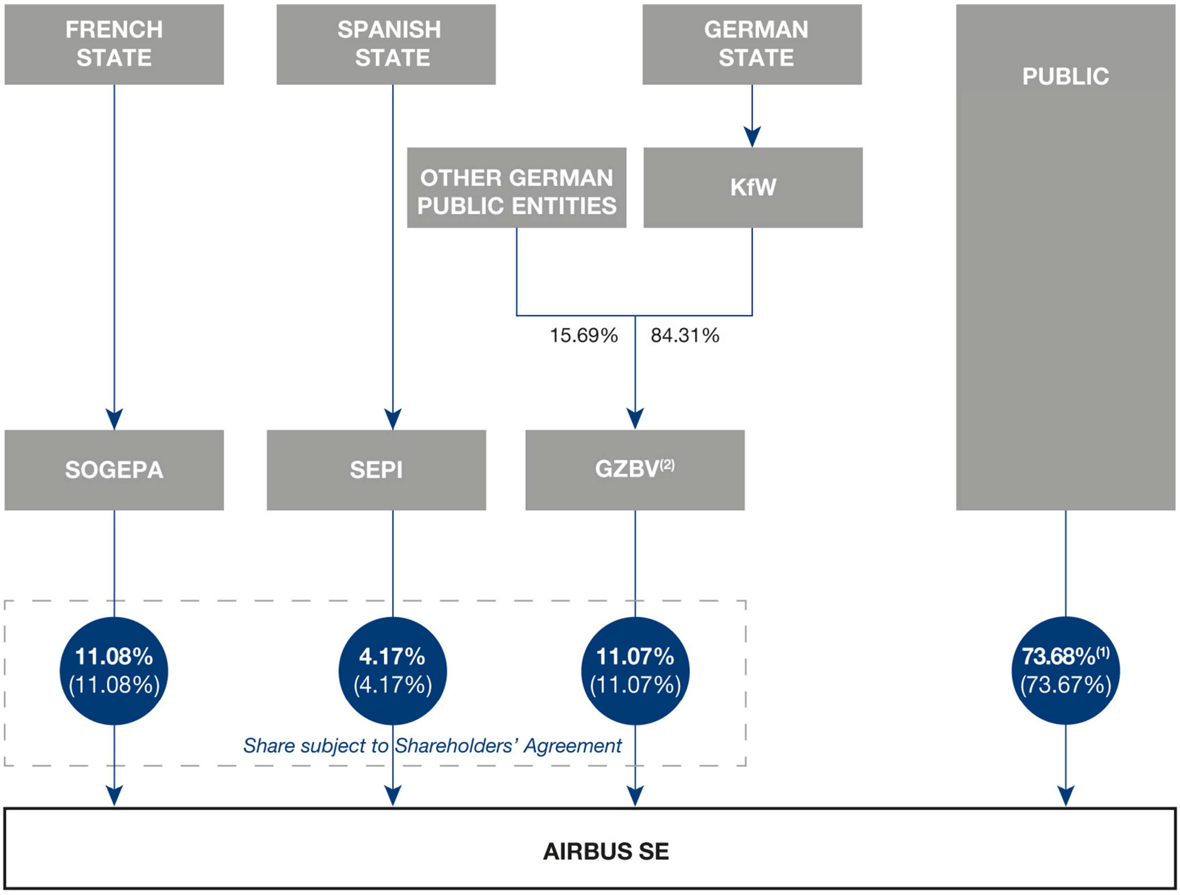
Repurchases and cancellations of shares in 2017

During 2017 (i) the Company did not repurchase any shares and (ii) none of the treasury shares were cancelled. As of 31 December 2017, the Company held 129,525 treasury shares.

Shareholding structure at the end of 2017

As of 31 December 2017, the French State held 11.08% of the outstanding Company shares through Société de Gestion de Participations Aéronautiques ("**Sogepa**"), the German State held 11.07% through Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**"), and the Spanish State held 4.17% through Sociedad Estatal de Participaciones Industriales ("**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).



(1) Including shares held by the Company itself (0.02%).
(2) KfW & other German public entities.

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of voting rights or capital interest reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the Netherlands

Authority for the Financial Markets ("**AFM**") immediately.

In 2017, the below listed entities have notified the AFM of its 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.

Right to attend shareholders' meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders' meeting, can be represented by more than one proxy holder, provided that only one proxy holder can 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 28th day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting in accordance with the relevant convening notice.

Shareholders holding their Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France or to any other person designated for this purpose, as specified in the relevant convening notice.

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

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 Dutch Financial Supervision Act, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks. 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 Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation's expenses and indemnify the Board Members against liability);
- The Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- The foundation has no discretion as to the exercise of voting rights attached to any of the Company's shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- No transfer of a depositary receipt can be made without the prior written approval of the foundation's Board.

For any shareholder or concert, the term "**Excess Shares**", as used above, refers to such number of shares comprised in the interest of such shareholder or concert exceeding the Mandatory Disposal Threshold which is the lesser of: (i) the shares held by such shareholder or concert which represent a percentage of the Company's issued share capital that is equal to the percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold; and (ii) all shares held by such person or concert.

This restriction is included in the Articles of Association to reflect the Company's further normalised governance going forward, aiming at a substantial increase of the free float and to safeguard the interests of the Company and its stakeholders (including all its shareholders), by limiting the possibilities of influence above the level of the Mandatory Disposal Threshold or takeovers other than a public takeover offer resulting in a minimum acceptance of 80% of the share capital referred to below.

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on 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 Sogepa, as it held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in article 16.1.c applies to the concert among Sogepa, GZBV and SEPI, as they held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

Mandatory public offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined under Dutch law summarized below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company.

In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless they concern amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at the Company's headquarters, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

In 2013, GZBV, a subsidiary of Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, Sogepa and SEPI, entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.2.1 CORPORATE GOVERNANCE ARRANGEMENTS

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company's corporate governance arrangements in the Articles of Association, included (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others.

3.2.2 SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

The French State, Sogepa, the German State, KfW and GZBV (all parties together the "**Parties**" and each, individually, as a "**Party**") entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1.b of the Articles of Association (such Party holding "**Individual Grandfathering Rights**") shall remain individually grandfathered in accordance with the Articles of Association if the concert with respect to the Company (the "**Concert**") is subsequently terminated (for instance by terminating the Shareholders' Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1.b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding "**Derived Grandfathering Rights**", and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the "**Grandfathering Rights**") shall all no longer be entitled to exercise their Grandfathering Rights in the event:

- The Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
- It or its relevant affiliate(s) exit(s) the Concert,

and such termination or exit is not for good cause and is not based on material and on-going violations of the Concert arrangements, including, without limitation, of the Shareholders' Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert together with those of its affiliates would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party including its affiliates which were no longer entitled to use their Grandfathering Rights shall from then on revive and Sogepa and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-concert Grandfathering Agreement unless and until it receives (i) a joint written instruction from Sogepa and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-concert Grandfathering Agreement or any such joint instruction or binding advice. Notwithstanding the description under "Various provisions – Jurisdiction" below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-concert Grandfathering Agreement.

Various provisions

Termination. The post-concert Grandfathering Agreement terminates only if either the French State and its affiliates or the German State and its affiliates no longer hold shares in the Company.

Governing law. Laws of the Netherlands.

Jurisdiction. The courts of the Netherlands shall have exclusive jurisdiction. This is binding advice for any dispute, controversy or claim arising out of or in connection with the post-concert Grandfathering Agreement in accordance with the procedure set forth in the post-concert Grandfathering Agreement; provided, however, that application to the courts is permitted to resolve any such dispute controversy or claim.

Governance of the Company

Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the "**Shareholders**").

Appointment of the Directors: The Shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the Shareholders shall 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 rules governing the internal affairs of the Board of Directors (the "**Board Rules**"), and shall vote as Shareholders in any Shareholders' meeting in favour of such appointment and against the appointment of any other person for such position. If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the Shareholders shall exercise their best endeavours so that these persons are appointed as Directors.

Modification of the Articles of Association: Sogepa and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogepa and GZBV agree to vote in favour together of such draft resolution, the Shareholders shall vote against such draft resolution. If Sogepa and GZBV reach a mutual agreement on such draft resolution, the Shareholders shall vote in favour of such draft resolution.

Reserved Matters: With respect to the matters requiring the approval of a Qualified Majority at the Board level ("**Reserved Matters**"), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the Shareholders' meeting of the Company, Sogepa and GZBV shall consult each other with a view to reaching a common position. Should Sogepa and GZBV fail to reach a common position, Sogepa and GZBV shall remain free to exercise on a discretionary basis their votes.

Prior consultation: Sogepa and GZBV shall consult each other on any draft resolution submitted to the Shareholders' meeting other than related to Reserved Matters and the Board Rules.

Balance of interests

The Shareholders agree to pursue their common objective to seek a balance between themselves and their respective interests in the Company as follows:

- To hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;
- To hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties; and
- To hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties.

Mandatory Takeover Threshold

The total aggregate voting rights of the Shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any Shareholder a mandatory takeover obligation (the "**MTO Threshold**"). In the event that the total aggregate voting rights of the Shareholders exceed the MTO Threshold, the Shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

Transfer of Securities

Permitted transfer. Transfer of securities by any Shareholder to one of its affiliates.

Pre-emption right. Pro rata pre-emption rights of the Shareholders in the event any Shareholder intends to transfer any of its securities to a third party directly or on the market.

Call option right. Call option right for the benefit of the Shareholders in the event that the share capital or the voting rights of any Shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

Tag-along right. Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.

Various provisions

Termination. The Shareholders' Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company or in its or their shareholders.

Governing law. Laws of the Netherlands.

Jurisdiction. Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (the Netherlands).

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the "**French Defence Holding Company**"). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the "**French Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board) nor (ii) have material on-going 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. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French

Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company:

- Grants the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- Commits to consult with the French State prior to making any decision at any shareholders' meeting of Dassault Aviation.

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.

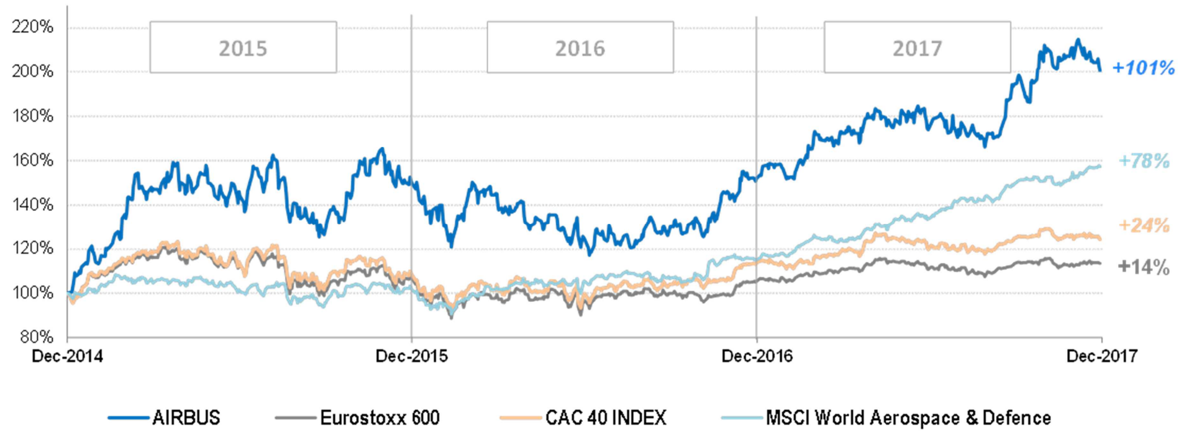
Stock Exchange Listings

The Company has undertaken to the parties to the Shareholders' Agreement that for the duration of the Shareholders' Agreement the Company's shares will remain listed exclusively in France, Germany and Spain.

Specific Rights of the French State

Pursuant to an agreement entered into between the Company and the French State (the "**Ballistic Missiles Agreement**"), the Company has granted to the French State (a) a veto right and subsequently a call option on the shares of the company performing the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and the company performing the ballistic missiles activity are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

3.3 Share price performance 2017



In 2017, Airbus' share price has strongly increased throughout the year and closed at € 83.00, up 32%. It outperformed wider markets and most European Aerospace & Defence peers, despite a more 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 French election results in April and May. Commercial performance during the Le Bourget Airshow was perceived as a positive surprise by the market and led 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 regarding 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 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 lower 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.

3.4 Dividend policy

In December 2013, Airbus formalised a dividend policy demonstrating a strong commitment to shareholders returns. This policy targets sustainable growth in the dividend within a payout ratio of 30%-40%.

Based on earnings per share (EPS) of € 3.71 and a net income of € 2,873 million, the Board of Directors will propose to the Annual General Meeting 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 on-going 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 %.

4. Corporate Governance

4.1 Management and Control

4.1.1 COMPOSITION, POWERS AND RULES

Under the Articles of Association, the Board of Directors consists of at most 12 Directors, who each retire at the close of the AGM held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (i.e., 7/12) must be European Union ("EU") nationals (including the Chairman of the Board of Directors) and a majority of such majority (i.e., 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 non-Executive Directors. While the Board of Directors appoints the CEO, the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least 9 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 general Dutch corporate law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders' meeting regarding 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, and
- The preference for gender diversity between equal profiles, and
- The maintenance of appropriate skills mix and geographical experience, and
- The maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of 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 (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 above. In practice, this means that (i) 2 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) 2 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 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 if specific circumstances provide an appropriate justification for such exceptions.

Voting and rules

Most Board of Directors' decisions can be made by a simple majority of the votes of the Directors (a "**Simple Majority**"), but certain decisions must be made by a two-third 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.

Powers of the Members of the Board of Directors

The Board Rules specify that in addition to the Board of Directors' responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee and its executive management team, makes decisions with respect to the management of the Company. However, the CEO should not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

Matters that require Board of Directors' approval include among others, the following items (by Simple Majority unless otherwise noted):

- Approving any change in the nature and scope of the business of the Company and Airbus;
- Debating and approving the overall strategy and the strategic plan of Airbus;
- Approving the operational business plan of Airbus (the "**Business Plan**") and the yearly budget of Airbus (the "**Yearly Budget**"), including the plans for Investment, Research and Development ("**R&D**"), Employment, Finance and, as far as applicable, major programmes;
- Nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- Approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board on the basis of the recommendation of the Remuneration, Nomination and Governance Committee;
- Approving the relocation of the headquarters of the principal companies of Airbus and of the operational headquarters of the Company (Qualified Majority);
- Approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
- Approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
- Approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 800 million (Qualified Majority);
- Approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- Approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- Approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and set out the core principles which each Member of the Board of Directors shall comply with and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.

AIRBUS SE BOARD OF DIRECTORS UNTIL AGM 2018

Name	Age		Since	Current term expires	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	I	Chairman of the Board of Directors of Airbus SE	9/9			10/10
Thomas ENDERS	59		*2012, last re-election in 2016*	2019	E	Chief Executive Officer of Airbus SE	9/9			3/5
Ralph D. CROSBY, Jr.	70		*2013, last re-election in 2017*	2020	I	Member of the Board of Directors of American Electric Power Corp.	9/9	3/4		
Lord DRAYSON (Paul)	57		*2017*	2020	I	Co-Founder, Chairman and CEO of Drayson Technologies Ltd	7/7 *(from AGM 2017)*		7/7	
Catherine GUILLOUARD	53		*2016*	2019	I	Chief Executive Officer of RATP	8/9	4/6		5/7
Hans-Peter KEITEL	70		*2013, re-election in 2016*	2018	I	Former CEO of HOCHTIEF AG	7/9		8/9	
Hermann-Josef LAMBERTI	62		*2007, last re-election in 2017*	2020	I	Former Member of the Management Board of Deutsche Bank AG	8/9	6/6		7/10
Amparo MORALEDA*	53		*2015, re-election in 2018*	2018	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	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	I	Chairman of Anglo American PLC	7/9		9/9	*9/10*
Carlos TAVARES	59		*2016*	2019	I	Chairman of the Managing Board of Peugeot SA	7/9			
Jean-Claude TRICHET	75		*2012, last re-election in 2016*	2018	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 the date of the 2017 Board Report.
* *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

More details regarding the curriculum vitae, nationality and other mandates of all Members of the Board of Directors can be found at the Company's website www.airbus.com.

Within the Company, each Member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as Member of one of the Board of Directors' committees. The Board of Directors also believes that a diverse composition among its Members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 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 organization. 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.

4.1.3 BOARD COMMITTEES

The Audit Committee

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the 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 "- 4.5.: Enterprise Risk Management System". Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The 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.

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 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.

The Remuneration, Nomination and Governance Committee

Pursuant to the Board Rules, besides its role described in section 4.1.1 above, the RNGC consults with the CEO with respect to proposals for the appointment of the Members of the Executive Committee, and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning (at Board, Executive Committee and Senior Management levels), remuneration strategies and long-term remuneration plans. Furthermore, the Committee decides on the service contracts and other contractual matters in relation to the Members of the Board of Directors and the Executive Committee. The rules and responsibilities of the RNGC have been set out in the Board Rules.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the RNGC. The Chief Human Resources Officer ("CHRO") is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC reviews 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.

4.1.4 EXECUTIVE COMMITTEE NOMINATION AND COMPOSITION

The CEO proposes all the Members of the Executive Committee of the Company (the "**Executive Committee**") for approval by the Board of Directors, after consultation with (i) the Chairman of the RNGC and (ii) the Chairman of the Board of Directors, applying the following principles:

- The preference for the best candidate for the position;
- The maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of the four Member States of the EU where these main industrial centres are located); and
- At least two-third of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

Role of CEO and Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus' business and he shall be accountable for its proper execution. For this purpose, the CEO 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.

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.

4.2 Conflict of interest

Conflict of interest

The Company has a conflict of interest policy, which sets out that any potential or actual conflict of interest between the Company and any Member of the Board of Directors shall be disclosed and avoided (please refer to the "Board Rules (Annex D – Article 8: Conflicts of interest)"). This policy is available on the Company's website: www.airbus.com (Home / Company / Corporate Governance / Organisation), as is the related best practice provision 2.7 of the Dutch Code (as such term is defined in section 4.3 "Dutch Corporate Governance Code" below), which the Company complied with in the year 2017. Pursuant to the Articles of Association and the Board Rules, a conflicted Member of the Board of Directors should abstain from participating in the deliberation and decision-making process relating to the matters concerned. The Board of Directors must approve any decision to enter a transaction where a Director has conflicts of interest that are material to the Company or the individual Director.

In 2017, no transactions were reported. There were, however, related-party transactions: for an overview, please see: "Notes to the IFRS Consolidated Financial Statements – Note 8: Related Party Transactions".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies 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, 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. Payment ratios

Provision 3.4.1 of the Dutch Code recommends that the remuneration report described in Section 4.4 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 Board Report, 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 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 above.

For information on the operation of the Shareholders' Meeting, its key powers, the shareholders' rights and how such powers and rights can be exercised, please refer to section 3.1 "Shareholding and voting rights – right to attend Shareholders' Meetings".

For information on the composition and operation of the Board of Directors and its respective committees, please refer to section 4.1.1 "Composition, power and rules", section 4.1.2 "Operation of the Board of Directors in 2017", and section 4.1.3 "Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, please refer to section 3.1 "Shareholding and voting rights – Shareholding structure at the end of 2017", section 3.2 "Relationships with Principal Shareholders", section 4.1.1 "Composition, powers and rules", section 3.1 "Shareholding and voting rights – Amendments to the Articles of Association" and section 3.1 "Shareholding and voting rights – Modifications of share capital or rights attached to shares".

4.4 Remuneration Report

4.4.1 INTRODUCTION

The **RNGC** is pleased to present the 2017 Remuneration Report.

The Report comprises the following sections:

- 4.4.2 presents the Company's Remuneration Policy;
- 4.4.3 illustrates how the Remuneration Policy was applied in 2017 in respect of the CEO, the only Executive Member of the Board of Directors (the cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration");
- 4.4.4 illustrates how the Remuneration Policy was applied in 2017 in respect of the Non-Executive Members of the Board of Directors;

- 4.4.5 miscellaneous.

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 (see section 4.4.3: “Implementation of the Remuneration Policy in 2017: CEO” and section 4.4.4: “Implementation of the Remuneration Policy in 2017: Non-Executives”) will be included as a separate agenda item for discussion at the AGM to be held in 2018.

4.4.2 REMUNERATION POLICY

The Remuneration Policy covers all Members of the Board of Directors: the CEO (who is the only Executive Director) and the other Members of the Board (which is comprised of non-Executive Directors).

It should be noted that although the Policy relating to Executives’ remuneration only refers to the CEO, these principles are also applied to the other Members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives across Airbus. Upon proposal by the CEO, the RNGC analyses and recommends, and the Board of Directors decides, the remuneration of the Members of the Executive Committee.

A — Executive Remuneration – Applicable to the CEO

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 (“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.

The elements of the Total Direct Compensation are described below:

Remuneration Element	Main Drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target).
VR	Rewards annual performance based on achievement of Company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT[2] (45%); Free Cash Flow[3] (45%) and RoCE (10%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
LTIP	Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a 3-year period.	Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. Since 2012, the following caps apply to Performance Units only: - overall pay-out is capped at a maximum of 250% of the original value at the date of grant. - The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

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 (you may refer to Paragraph 4.4.3 below for further details).

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

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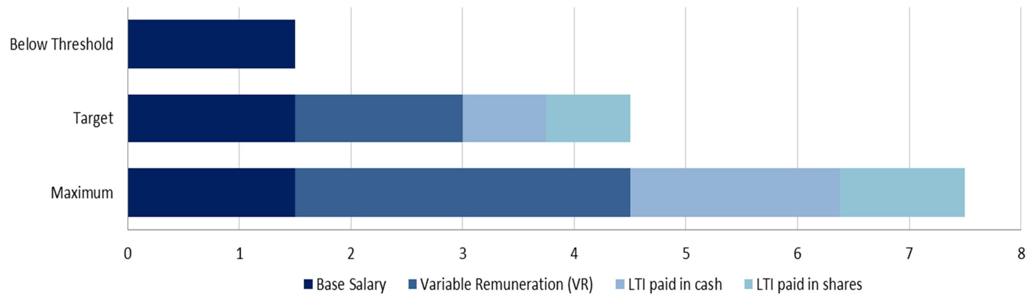
2 Airbus continues to use the term EBIT (Earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

3 Airbus defines the alternative performance measure Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, less (iii) change of securities, (iv) contribution to plan assets for pension schemes, (v) realised treasury swaps and (vi) bank activities. 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.



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.

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

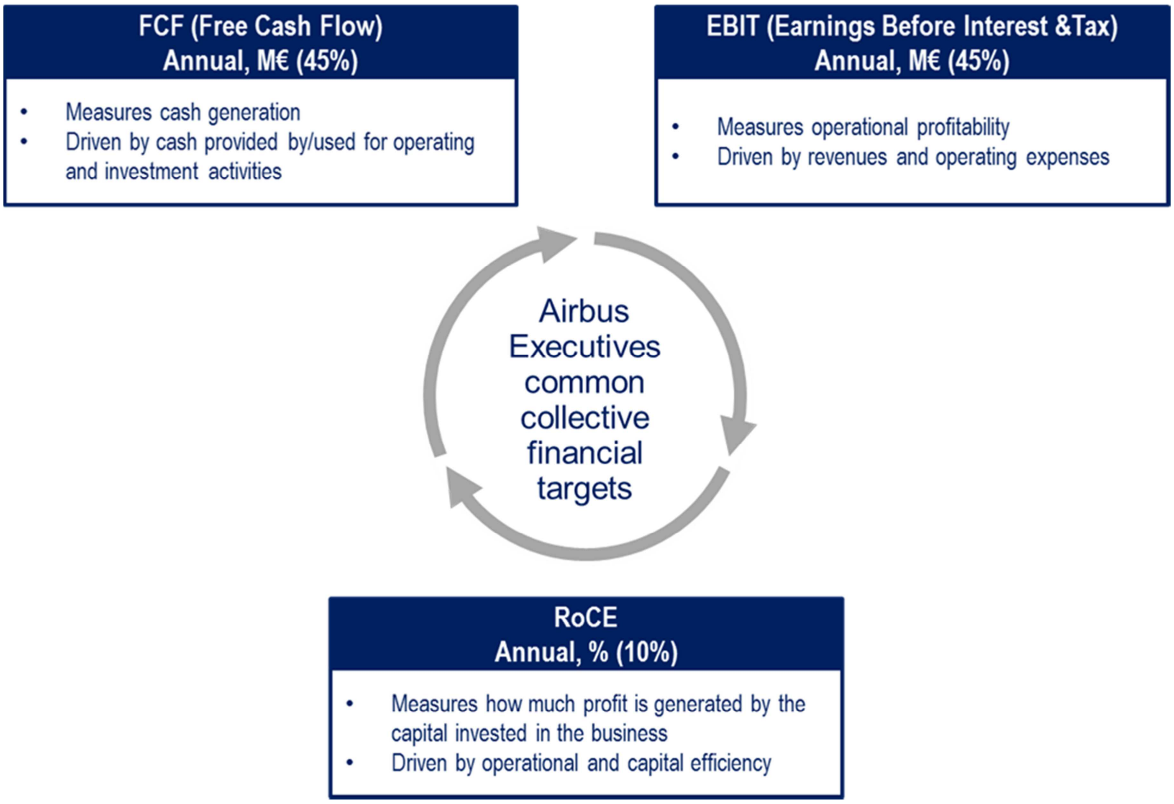
The Variable Remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the Variable Remuneration for the CEO is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The 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 Company 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 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 the 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	Free Cash Flow Cumulated over 3 years, M€
• Measures profitability • Driven by net income and number of shares	• Measures cash generation • Driven by cash provided by/used for operating and investment activities

For reasons of confidentiality, the precise targets set for the average EPS and 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.

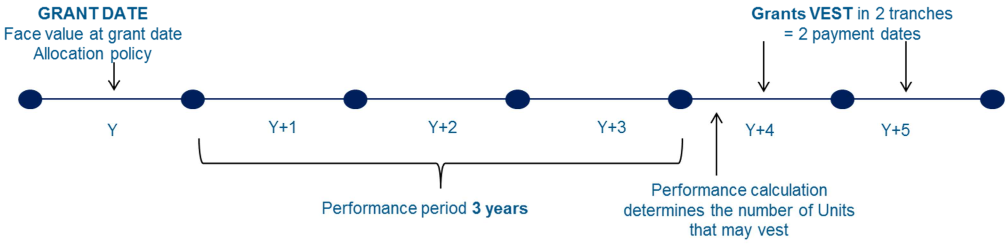
Performance Units plan characteristics (until and including 2015 plan)

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 six 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.

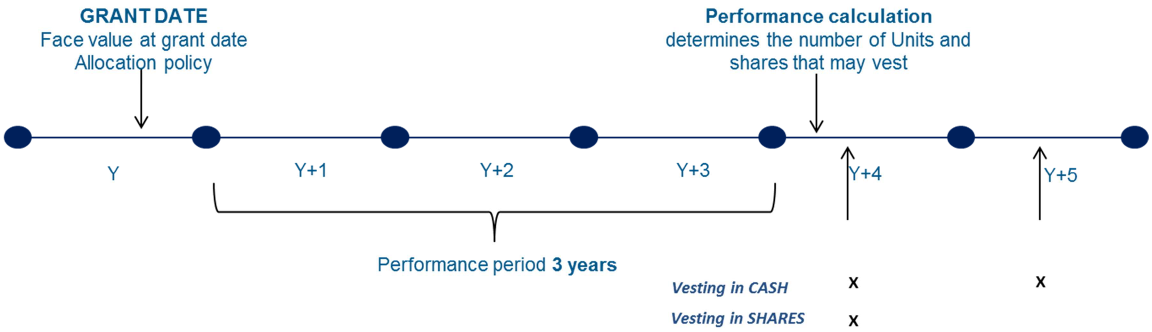
For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

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 six and 18 months following the end of the performance period. Performance Shares would vest in one tranche, approximately six months following the end of the performance period.

LTIP-SCHEME SINCE 2016



f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of the Base Salary and to hold them throughout his tenure.

g) Benefits

The benefits offered to the CEO comprise a company car and accident insurance. Travel cost reimbursements are based on the Company travel policy, as applicable to all employees.

h) Retirement

The CEO is entitled to a retirement benefit. The Company's policy is to provide a pension at retirement age that equals 50% of the Base Salary, once the CEO has served on the Executive Committee for five years. This pension can increase gradually to 60% of the Base Salary, for Executives who have served on the Executive Committee for over ten years, and have been employed for at least 12 years.

i) 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 VR) with respect to applicable local legal requirements if any. This will not apply if the CEO mandate is terminated for cause, in case of dismissal, if he resigns or if the CEO has reached retirement age.

The CEO's contract 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.

B — Non-Executive Remuneration – Applicable to non-Executive Members of the Board

The Company's Remuneration Policy with regard to non-Executive Members of the Board of Directors is aimed at ensuring fair compensation and protecting the independence of the Board's Members.

Fees and Entitlements

Non-Executive Members of the Board are currently entitled to the following:

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board's Committees;
- 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).

C – Employee Share Ownership Plan (ESOP)

A key element in the Airbus benefits policy is enabling employees to participate in the results of the Company. Since its creation, the Company has developed a philosophy based on sharing the added value created by the Company with all employees (including the CEO). Therefore, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

According to shareholders' resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors at the 2017 AGM. Such powers include the approval of the ESOP.

The Company intends to implement an ESOP in 2019, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). With future ESOP, the Company aims to offer shares to eligible employees through the issuance of shares or free distribution of shares or other existing or new securities giving access to the capital as a matching contribution. This plan aims to promote the development of employee shareholding.

4.4.3 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 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 group.

c) Annual Variable Remuneration

As stipulated in the Company's Remuneration Policy, the CEO's VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of Collective and Individual performance targets.

For 2017, 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, on-going 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.

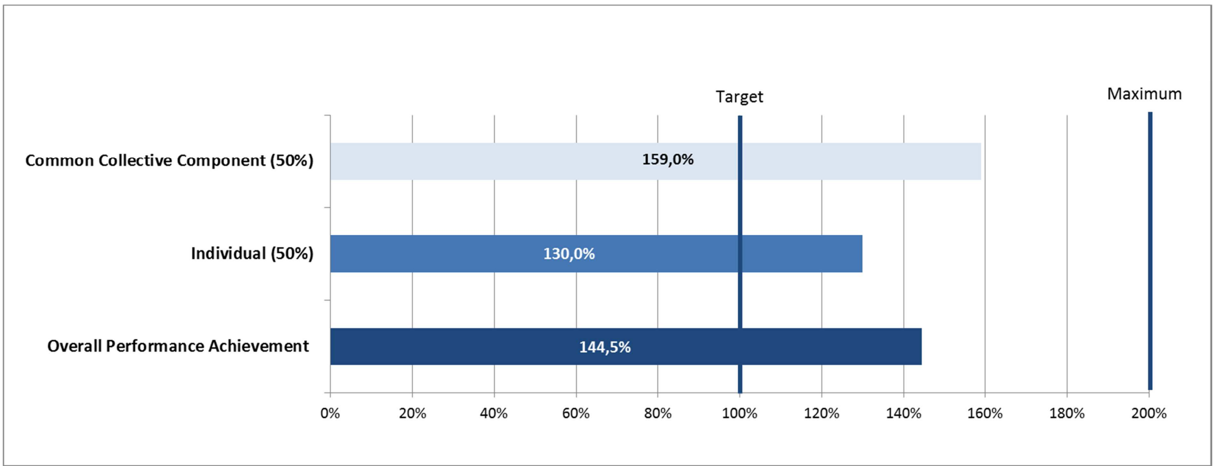
The **Individual part** results from a good achievement level of 130% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the four Airbus priorities agreed at the start of the year (see: Chapter 2 – Summary 2017). For 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 digitalization 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 20,324 in total of both 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 vs. € 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 5,680 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
2017	Shares	10,162	€ 73.81	€ 750,057	Conditional	Not yet known	Not yet known	1 vesting in 2021	Not yet known

Calculations may involve rounding to the nearest unit.

* LTIP 2012 cap applicable to the share price was applied

Performance Conditions of LTIP 2013 and LTIP 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 Ave 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 Ave EPS was € 2.81. The three-year Cum FCF 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 varies depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 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 vs. € 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: (i) the seniority of the CEO in the Company and on its Executive Committee and (ii) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system.

i) Clawback

The Board has not applied any clawback in 2017.

4.4.4 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 D. 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 D. 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***	**Attendance fees****	**Total**	Fixum*	Attendance fees**	Total
Non-Executive Board Members						
Denis Ranque***	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****	72,100	60,000	132,100	0	0	0
Catherine Guillouard***	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***	135,707	70,000	205,707	110,000	55,000	165,000
Lakshmi N. Mittal^	28,176	10,000	38,176	100,000	50,000	150,000
María Amparo Moraleda Martínez***	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***	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**

***** 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.

****** 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.

******* Member of the E&C Committee and its predecessor, the temporary Ad-Hoc Committee.

********Member of the Company Board of Directors and the RNGC as of 12 April 2017.

^No Member of the Company Board of Directors as of 12 April 2017.

As explained in Chapter 4.1.3, a dedicated Ethics and Compliance Committee ("E&C Committee") was established in 2017 and its related remuneration paid in 2017.

4.4.5 MISCELLANEOUS

Policy for Loans and Guarantees Granted

The Company's general policy is not to grant any loan to the Members of the Board of Directors. Unless the law provides otherwise, the Members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The Company has also taken out liability insurance ("**D&O**" – Directors & Officers) for the persons concerned.

4.5 Enterprise Risk Management System

Airbus' long-term development and production lifecycle make Enterprise Risk Management ("**ERM**") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across Divisions at each level of the organisation. It is designed to identify and manage risks and opportunities. A strong focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus.

ERM is an operational process embedded into the day-to-day management activities of Programmes, Operations and Functions. The key risks and their mitigations are reported to the Board of Directors through a reporting synthesis, consolidated on a quarterly basis

The ERM system is articulated along four axes:

- Anticipation: early risk reduction and attention to emerging risks;
- Speak-up & early warnings;
- Robust risk mitigations;
- Opportunities.

ERM Process

The objectives and principles for the ERM system, as endorsed by the Board of Directors, are set forth in the Company's ERM Policy and communicated throughout Airbus. The Company's ERM Policy is supplemented by directives, manuals, guidelines, handbooks, etc. External standards which contribute to the Company's ERM system include the standards as defined by the International Organisation for Standardisation ("**ISO**").

The ERM process consists of four elements:

- a strong operational process - derived from ISO 31000 - to enhance operational risk and opportunity management;
- a reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation;
- an ERM compliance process, which comprises procedures to assess the effectiveness of the ERM system;
- a support process, which includes procedures to maintain and increase the quality of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities that potentially affect the Company's activities, its businesses and its organisation in the short-, mid- and long-term. The ERM process is part of the management process and inter-related with the other processes.

All Airbus organisations, including Divisions, subsidiaries and controlled participations, commit to and confirm the effective implementation of the ERM system. The annual ERM Confirmation Letter issued by each organisation is the formal acknowledgement about the effectiveness of the ERM system.

For the main risks to which Airbus is exposed, see "— Chapter 4.6 (Risk Factors)" of this document.

ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- The Board of Directors with support of the Audit Committee supervises the strategy and business risk and opportunities, as well as design and effectiveness, of the ERM system;
- The CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of ERM, and the ERM system design and process implementation;
- The Head of ERM has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence ("CoC") and pushes for a proactive risk management;
- The management at executive levels has responsibility for the operation and monitoring of the ERM system in its respective areas of responsibility and for the implementation of appropriate response activities to reduce risks and seize opportunities, considering the recommendations of the internal and external auditors.

ERM Effectiveness

The ERM effectiveness is analysed by:

- Corporate Audit, based on internal corporate audit reports;
- 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	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	**Alert System** Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

Board Declaration

Based on the 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.

4.6 Risk Factors

The Company is subject to many risks and uncertainties that may affect its financial performance. The business, results of operations or financial condition of the Company could be materially adversely affected by the risks described below. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company or that it currently considers immaterial may also impair its business and operations.

Although a certain degree of risk is inherent in the Company's business (as described in the risk factors mentioned in this section), the Company endeavours to minimise risk to the extent reasonably possible. To achieve its strategy, the Company is prepared to take modest or low event risks to provide sufficient predictability on profitability and cash flow given the necessity to stay competitive, invest in R&D and manage the diversified portfolio of business in a world of uncertain market and economic conditions. Due to the importance of programmes and operations for the Company, a particular focus is put on the operational dimension of risk identification and management. Within the area of legal and compliance risks, the Company seeks to ensure that its business practices conform to applicable laws, regulations and ethical business principles, while developing a culture of integrity. Regarding financial risks, our risk approach can be qualified as prudent and the Company aims to minimise the downside risk through appropriate liquidity buffer, the use of hedging derivatives and other insurance products.

4.6.1 FINANCIAL MARKET RISKS

Global Economic Concerns

As a global company, the Company's operations and performance depend significantly on market and economic conditions in Europe, the US, Asia and the rest of the world. Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including the impact of Brexit, discussed below, US policy and elections in Europe). Any such disruption or downturn could affect the Company's activities for short or extended periods and have a negative effect on the Company's financial condition and results of operations.

On 29 March 2017, the UK triggered article 50 of the Lisbon Treaty, the mechanism to leave the European Union ("Brexit"), before having achieved a roadmap for the complex negotiations. 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 sub-contractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges;
- default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company; and
- decreased performance of Airbus' cash investments due to low and partly negative interest rates.

The Company's financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

In the Commercial Aircraft activities, revision clauses in sales contracts and in supplier contracts can be based on different indexes and therefore can evolve differently.

Foreign Currency Exposure

Airbus is exposed to certain price risks such as foreign exchange rate as well as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise Airbus' profitability if not hedged. Airbus intends to generate profits only from its operations and not through speculation on the development of such prices. Airbus uses hedging strategies to manage and minimise the impact of such price fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

The major part of its hedging activities is devoted to foreign exchange risks, as a significant portion of the Company's revenues is denominated in US dollars, while a major portion of its costs is incurred in euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. The Company has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus) are converted into euro or pound sterling.

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant.

Currency exchange rate fluctuations in currencies other than the US dollar in which the Company incurs its principal manufacturing expenses (mainly the euro) may affect the ability of the Company to compete with competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of the Company's products and those of its competitors (*e.g.*, in the defence export market) are priced in US dollars. The Company's ability to compete with competitors may be eroded to the extent that any of the Company's principal currencies appreciates in value against the principal currencies of such competitors.

The Company's consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the euro will therefore have an effect on the euro value of the Company's reported revenues, costs, earnings before interest and taxes ("**EBIT**"), other financial results, assets liabilities and equity.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Measures taken by the Company to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect the Company from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.*

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, *etc.*). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. The Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurance can be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

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" below.

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* 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.

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 (MFiFiD II / MiFIR, CRD4, Bank Restructuring Resolution Directive, *etc.*) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans". Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company's total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

Tax Exposure

As a multinational group with operations and sales in various jurisdictions, Airbus is subject to a number of different tax laws. It is the Company's objective to adhere to the relevant tax regulations and to ensure tax compliance in each country.

Airbus' policy is to have its economic results taxed in a compliant manner in all countries where it creates value.

The Company's decisions on its structure and on the transactions it enters into are based on its own fair interpretations of applicable tax laws and regulations. The Company aims for certainty on the tax positions it adopts, though in a complex environment with increasing uncertainty, there can be no assurance that the tax authorities will not seek to challenge such interpretations, consequently the Company or its affiliates could become subject to tax claims.

The Company will always act to minimise the risk associated with a tax position, while aiming for tax efficiency as described below. Where tax law is unclear or subject to interpretation, the Company may decide to take a written opinion from an independent third-party tax advisor, detailing the facts, risks and conclusions, so as to support the decision-making process, or to engage with tax authorities to secure alignment on interpretation of tax rules. The level of risk will be deemed to be acceptable where strong technical arguments exist to support the position and where stakeholders have been consulted appropriately according to the value at stake.

In case weaknesses may be identified in tax processes, the Company will act to remediate the issues in a timely manner to ensure continued compliance.

4.6.2 BUSINESS-RELATED RISKS

Commercial Aircraft Market Factors

Historically, order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product ("**GDP**") growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of 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 our 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, there 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 increase. 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. 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 lifetime 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 on-going 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 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 (new engine option). 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.

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.

4.6.3 LEGAL RISKS

Dependence on Joint Ventures and Minority Holdings

The Company generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia; and
- 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. Please refer to "Notes to the IFRS Consolidated Statements – Note 36: Litigation and Claims".

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. Please refer to "Notes to the IFRS Consolidated Statements – Note 36: Litigation and Claims". The Company expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company's business, financial condition and results of operations. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company's reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, financial condition and results of operations. See "— Non-Financial Information — 6.1.4 Responsible Business — Ethical Business Practices".

4.6.4 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.

5. Financial Performance

Airbus' Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

5.1 Consolidated Financial Statements ("IFRS")

(Please refer to the "Airbus SE – IFRS Consolidated Financial Statements for the years ended 31 December 2017 and 2016" and "Notes to the IFRS Consolidated Financial Statements").

5.1.1 CONSOLIDATED INCOME STATEMENT ("IFRS")

5.1.2 REVENUES

Revenues were stable at € 66.8 billion (2016: € 66.6 billion) with higher aircraft deliveries offset by a reduction in revenues of around € 2 billion from the perimeter changes. Commercial Aircraft revenues rose by 3.5 percent with record deliveries of 718 aircraft (2016: 688 aircraft) comprising 558 A320 Family, 78 A350 XWBs, 67 A330s and 15 A380s. Helicopters' revenues were slightly lower with deliveries of 409 units (2016: 418 units). Revenues at Defence and Space reflected the Division's perimeter changes of around € 1.7 billion but were seven percent higher on a comparable basis driven mainly by military aircraft.

5.1.3 EBIT AND FINANCIAL RESULT

(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*" but on the basis of "EBIT" (reported) as the difference between the two KPIs, the so called "pre-goodwill and exceptionals", has become less relevant. There is no change to the substance of the guidance. Terminology has changed such that "EBIT* before one-offs" has been replaced by "EBIT Adjusted" and "EPS* before one-offs" replaced by "EPS Adjusted".)

EBIT Adjusted – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructuring or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses – increased to € 4,253 million (2016: € 3,955 million).

Commercial Aircraft's EBIT Adjusted of € 3,554 million (2016: € 2,811 million) reflected the strong delivery performance supported by improved foreign exchange rates. 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 have been 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. 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. 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 has been significantly reduced. The A350 programme is preparing to reach the targeted monthly production rate of 10 by the end of 2018. Meanwhile, Emirates Airline's latest order provides increased visibility on the A380 programme for the years to come.

Helicopters' EBIT Adjusted declined to € 337 million (2016: € 350 million) but was broadly 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 sale of the maintenance, repair and overhaul business Vector Aerospace was closed in November.

Defence and Space's EBIT Adjusted amounted to € 872 million (2016: € 1,002 million), reflecting the perimeter changes, but was broadly stable on a comparable basis.

On the A400M programme, good progress was made on the industrial side with 19 aircraft delivered compared to 17 in 2016. 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 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. 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.

EBIT (reported) increased to € 3,421 million (2016: € 2,258 million) including Adjustments totalling a net € -832 million compared to net Adjustments of € -1,697 million in 2016. The 2017 Adjustments mainly comprised:

- The total charge of € 1,299 million related to the A400M programme, including € 1,149 million in the fourth quarter;
- A negative impact of € 117 million from compliance, comprising an administrative penalty notice connected to the termination of the Eurofighter Austria investigation by the Munich Public Prosecutor and some legal costs incurred in the fourth quarter related to ongoing investigations;
- A net loss of € 20 million related to other M&A activities;
- A net capital gain of € 604 million from the divestment of the Defence Electronics business, which is unchanged from the Nine-Month 2017 disclosure.

Net income increased to € 2,873 million (2016: € 995 million) after the EBIT Adjustments with **earnings per share** of € 3.71 (2016: € 1.29). EPS also included a strong positive impact mainly from the revaluation of financial instruments and balance sheet items, reflecting the euro/dollar rate evolution as well as an adjustment on the A380 Refundable Launch Investment following a review of the commercial assumptions. The finance result was € 1,149 million (2016: € -967 million).

Table 1 – EBIT and Revenues by Division

by Division	**EBIT (reported)**			**Revenues**		
(In € million)	FY 2017	FY 2016	Change	FY 2017	FY 2016	Change
Commercial Aircraft	3,428	1,543	+122%	50,958	49,237	+3%
Helicopters	337	308	+9%	6,450	6,652	-3%
Defence and Space	212	-93	-	10,804	11,854	-9%

Headquarters/ Eliminations	-556	500	-	-1,445	-1,162	-
Total	3,421	2,258	+52%	66,767	66,581	0%

5.1.4 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ("IFRS")

Intangible assets and property, plant and equipment

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).

The annual impairment tests performed in 2017 led to no impairment charge.

The revised commercial outlook for the A380 program has not triggered any impairment losses capitalised development costs or jigs and tools for assets dedicated to the programme.

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.

Investment accounted for under the equity method

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.

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.

Inventories

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 at Airbus Helicopters (€ -455 million), mainly related to the disposal of Vector.

Trade Receivables and Trade Liabilities

The **trade receivables** of € 8,358 million (2016: € 8,101 million) increased by € +257 million, mainly in Airbus Commercial Aircraft.

The **trade liabilities** of € 13,444 million (2016: € 12,532 million) increased by € +912 million, mainly in Airbus Commercial Aircraft.

Provisions

(In € million)	31 December 2017	2016
Provision for pensions	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.

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.

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.

Other financial assets and other financial liabilities

Other Financial Assets

(In € million)	31 December 2017	2016
Positive fair values of derivative financial instruments	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	663	258
Others	324	482
Total current other financial assets	**1,979**	**1,257**
Total	**4,959**	**2,233**

Other Financial Liabilities

(In € million)	31 December 2017	2016
Liabilities for derivative financial instruments	1,127	6,544
European Governments refundable advances	5,537	6,340
Others	283	429
Total non-current other financial liabilities	**6,948**	**13,313**
Liabilities for derivative financial instruments	1,144	4,476
European Governments refundable advances	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**

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.

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 US$/€ 1.23 (2016: US$/€ 1.25) and for the US$/£ hedge portfolio until 2023 amounts to US$/£ 1.43 (2016: US$/£ 1.49).

The European Government 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.

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	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**

Total equity

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).

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.

Assets and disposal groups classified as held for sales

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.

5.1.5 NET CASH

	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 was € 13,391 million (2016: € 11,113 million) with a gross cash position of € 24,587 million (2016: € 21,591 million).

Cash and cash equivalents

	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**

Securities

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).

Financing liabilities

(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	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	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 EMTN bond from long-term to short term due to maturity in September 2018.

Free cash flow

Free cash flow before M&A and customer financing improved significantly to € 2,949 million (2016: € 1,408 million), supported by the earnings performance and record aircraft deliveries although the A400M continued to weigh significantly. **Free cash flow** of € 3,735 million (2016: € 3,181 million) included net proceeds of around € 600 million from the Defence Electronics disposal and around € 400 million from the Vector Aerospace sale.

The aircraft financing environment remains healthy with a high level of liquidity available in the market at good rates for Airbus aircraft. In 2017, Export Credit Agency ("ECA") financing had not been made available to Airbus but Airbus and the ECAs have now reached agreement on a process under which Airbus is able to resume making applications for ECA-backed financing for its customers across the group on a case-by-case basis. Airbus anticipates a return to ECA cover in 2018 for a limited number of transactions while the level of appetite for commercial financing remains high.

5.1.6 ORDER INTAKE AND ORDER BOOK

Order intake increased to € 158 billion (2016: € 134 billion) with the order book valued at € 997 billion as of 31 December 2017 (2016: € 1,060 billion). A total of 1,109 net commercial aircraft orders were received (2016: 731 aircraft), with a book-to-bill ratio of 1.5. The backlog by units reached a record year-end level of 7,265 commercial aircraft. Net helicopter orders totalled 335 units (2016: 353 units), including 48 Super Puma Family rotorcraft and 17 H175s. By value in euros, the book-to-bill ratio in Helicopters was around 1. At Defence and Space, 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. 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.

Table 2 – Order Intake and Order Book by Division

by Division *(In € million)*	**Order Intake** (1)			**Order Book** (1)		
	FY 2017	**FY 2016**	**Change**	**31Dec 2017**	**31Dec 2016**	**Change**
Commercial Aircraft	143,361	114,938	+25%	950,354	1,010,200	-6%
Helicopters	6,544	6,057	+8%	11,201	11,269	-1%
Defence and Space	8,893	15,393	-42%	37,407	41,499	-10%
Headquarters / Eliminations	-1,108	-1,908	-	-2,140	-2,521	-
Total	157,690	134,480	+17%	996,822	1,060,447	-6%

(1) Contributions from commercial aircraft activities to the Airbus' Order Intake and Order Book are based on list prices.

5.2 Information on Airbus SE 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's representative is registered with the NBA (Nederlandse Beroepsorganisatie van Accountants).

6. Non-Financial Information and other Corporate Activities

6.1 Non-Financial Information

6.1.1 AIRBUS APPROACH

Airbus and its main stakeholders

Airbus is an industrial company operating in businesses with long product life cycles 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, please see section 1, General Overview.

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.

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 Chapter 4.5.

UN Sustainable Development Goals

Today Airbus is still 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.

R&S Charter

In 2017, Airbus has outlined its commitments in a new Responsibility & Sustainability 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.

6.1.2 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.

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 program 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 continues to support electrification projects, including providing the test bench for CityAirbus.

A^3

A^3 (pronounced "A-cubed"), is the advanced projects and partnerships outpost of Airbus in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** 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. A^3 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 A^3, 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 entrepreneurs speed up the transformation of innovative ideas into valuable businesses. BizLab offers early-stage selected projects wide-ranging support in the form of a program 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

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.

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 our products, deliver our ambitious sectorial emission reduction goals, as well as preparing adaptation to the effects of climate change on its operations.

The industry faces a variety of environmental challenges and Airbus invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them.

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 life cycle;
- engaging the supply chain in the Company's ambitious objectives.

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.

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.

2. Environmental concerns

Regulated substances across its products' life cycles

Aerospace manufacturing, operations and maintenance rely on certain regulated substances to achieve a high level of quality, safety and reliability accounting for lengthy product life-cycles. 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.

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 on-going 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 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 (2) of externally reviewed environmental indicators. The current reporting covers Scope 1 and Scope 2 emissions.

	GRI	KPI	Unit	2016	2017
Environmental performance					
ENERGY	**EN3**	Total energy consumption (excluded electricity generated by CHP on site for own use)	MWh	**3 893 111**	**4 098 475**
		Energy consumption from stationary sources	MWh	**1 395 192**	**1 357 724**
		of which, natural gas consumption	MWh	1 335 263	1 298 639
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	12 170	13 782
		liquefied petroleum gas consumption	MWh	360	357
		propane consumption	MWh	3 883	1 356
		biomass consumption	MWh	43 517	43 117
		Energy consumption from mobile sources	MWh	**1 045 159**	**1 206 689**
		of which, gasoline consumption	MWh	2 769	2 749
		distillate fuel oil consumption (Gas oil, Diesel, FOD)	MWh	27 166	26 020
		liquefied petroleum gas consumption	MWh	118	5
		propane consumption	MWh	1 700	1 736
		jet fuel aircraft / kerosene consumption	MWh	1 010 647	1 172 453
		- flight tests	MWh	559 106	687 071
		- Beluga	MWh	451 540	485 382
		aviation gasoline consumption	MWh	2 760	3 448
	EN4	Total electricity consumption	MWh	**1 452 760**	**1 534 062**
		of which, purchased electricity consumption	MWh	1 371 842	1 405 920
		purchased heat/steam	MWh	80 671	127 899
		generated electricity from photovoltaic on-site for own use	MWh	247	242
		generated electricity from other renewable source on-site for own use	MWh	0	0
		Generated electricity from CHP on-site for own use	MWh	188 144	190 127

AIR EMISSIONS	**EN16**	Total CO_2 emissions	tonnes CO_2	**935 402**	**1 013 101**
		Total direct CO_2 emissions (Scope 1)	tonnes CO_2	**557 447**	**591 002**
		of which, CO_2 emissions from stationary sources	tonnes CO_2	272 679	265 350
		CO_2 emissions from mobile sources	tonnes CO_2	269 493	311 036
		CO_2 emissions from fugitive sources	tonnes CO_2	15 203	14 579
		CO_2 emissions from processes on site	tonnes CO2	72	37
		Total indirect CO_2 emissions (Scope 2)	tonnes CO_2	**377 955**	**422 099**
	EN20	Total VOC emissions*	tonnes	***1 539***	***1 565***
		Total SOx emissions	tonnes	**15**	**15**
		Total NOx emissions	tonnes	**241**	**314**
WATER	**EN8**	Total water consumption	m^3	**3 834 265**	**4 011 897**
		of which, purchased water	%	*76,4%*	*76,5%*
		abstracted ground water	%	*20,0%*	*19,3%*
		withdrawn surface water	%	*3,5%*	*4,0%*
		rainwater collected used	%	*0,1%*	*0,2%*
	EN21	Total water discharge	m^3	**3 464 179**	**3 416 506**
		of which, water discharged via an internal pre-treatment plant	m^3	228 428	214 200
WASTE	**EN22**	Total waste production, excluding exceptional waste	tonnes	**104 505**	**105 839**
		of which, non-hazardous waste	tonnes	77 835	77 073
	EN24	*hazardous waste*	tonnes	26 670	28 766
		waste going to material recovery	tonnes	62 344	61 933
		waste going to energy recovery	tonnes	21 954	21 844
		Material recovery rate	%	*59,7%*	*58,5%*
		Energy recovery rate	%	*21,0%*	*20,6%*
EMS certification		Number of sites with ISO 14 001 /EMAS certification**	unit		
		Percentage of workforce covered by ISO 14001 & environmental reporting	%	86%	90%

2017 data covers 89% of total group employees.

2016 data correspond to the data validated by the external third party in 2016, without any recalcultation to take into account perimeters movements, which can explain some of the observed variances.

* 2017 VOC emissions data is estimated. The accurate 2017 data will be consolidated and available during March 2018

** Number of sites covered by the environmental reporting which are certified ISO 14001.

Only 100% consolidated entities are taken into account.

Environmental impact of its products in operations

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 21dB lower noise and 27% lower NOx 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.

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. It is protecting 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 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.

6.1.3 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% are 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%

*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. 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.

For more details on Scope and Methodology, please refer to the Airbus website at 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 2 million training hours and 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 anymore.

***New reporting scope since 2017. 51.2% digital learning in the 2017 learning plan.

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. These HR solutions specifically support business agility and delivery, connect and increase collaboration between teams and create a working environment where employees can develop and give their best at work. A focus on a couple of these activities is proposed below.

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 improve 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;
- 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 Company-wide organisation in order to drive effective, efficient risk control. This approach is designed to deliver Company-wide 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 ISO45001 Standard, which is supported by a common Company-wide 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.

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 sub-contractors, and monitors on-site sub-contracting 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 ISO45001 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.

6.1.4 RESPONSIBLE BUSINESS

a. Ethical Business Practices

Leading by example

The Airbus Ethics & Compliance Programme seeks to ensure that the Company's business practices conform to applicable laws, regulations and ethical business principles, as well as developing a culture of integrity.

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 us 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).

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 also across the ethics and compliance spectrum more generally in order to capitalise on its 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,* which provide a consistent level of protection for various personal data throughout Airbus.

* The BCR are available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-BCR-/Airbus%20Group%20BCR%20.pdf

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*. Suppliers are also expected to cascade these principles through their own supply chains. For further information please refer to "Responsible Suppliers" below.

*The Airbus Supplier Code of Conduct is 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

Our Ethics &Compliance Organisation

The E&C 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.

While 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 judgments, 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 ISO14001 certified as part of the global Airbus environmental certification.

3. Moving forward: Airbus Supplier R&S Programme

To deliver parts, components, sub-systems or services, quality, reliability and economic efficiency is key to Airbus 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 relationships 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 responsibility 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 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 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 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.

6.2 Other Corporate Activities

Digital Transformation Office

The Digital transformation Office ("**DTO**") is responsible for managing Digital Transformation, Information Management and Security across Airbus. It leverages digital technologies in order to bring step changes in business value, market differentiation and employee engagement. DTO boosts and accelerates transformation, by focusing Company initiatives and maximising value capture. Finally, DTO also ensures security of the Company's business in an ever-changing risk environment.

Data Office

The main mission of the Digital Office is to experiment how a smart combination of digital technologies can bring business value and alleviate pain points across all Airbus business functions.

For each major technology stream, the Digital Office is in charge of steering the portfolio of initiatives, capturing lessons learned from past implementations, assessing and confirming expected benefits thanks to proof of concepts and pilot projects, as well as defining the priority areas for deployment and identifying the necessary enablers (e.g. skills, partners, governance, and technical solutions). Once this level of maturity is reached, activities are handed over to the Quantum Programme which is in charge of accelerating value capture through rapid scaling up and industrialisation.

In 2017, the Digital Transformation Office's main priority was to expand and mature our Advanced Analytics capabilities along the following pillars: platform, skills and governance.

- Skywise platform integrated 70% of data objects across Airbus Commercial Aircraft in a common data platform, on-boarded the first 10 airlines, and engaged five early-adopter suppliers;
- Advanced analytics skills expanded across the Divisions with the establishment of a central, 16-person Analytics Accelerator and an online training course with 400 people enrolled and over 70 graduates to date;
- Data Governance policy and practice was established at the Airbus level with the definition of key roles, the appointment of eight Data Officers covering key functions and lines of business, and the identification of high-risk data sources across processes based on common risk metrics.

Beyond data analytics, 2017 has seen a growing momentum and an increasing number of successful initiatives leveraging Internet of Things, Virtual & Augmented Reality, Artificial Intelligence or Blockchain technologies.

Finally, an on-line community gathering more than 10000 contributors and a network of digital ambassadors from all functions and Divisions is contributing to connect the dots, accelerate our learning curve and foster reuse or synergies across the Company.

Quantum Programme

The Quantum Transformation Programme was established group-wide to industrialise and implement new digital solutions in the main business. Its main objective is to accelerate the implementation of successfully tested initiatives across functions, programs and business boundaries.

In 2017, the Quantum Programme governance and ways of working were finalised and deployed, and most project leader roles have been staffed. The transformation has reached a first level of maturity and is gaining momentum with first projects implemented and deployed.

Out of a portfolio of 30+ initiatives, more than 10 projects were selected as top priorities to deliver solutions and business improvements in 2018.

Key progress in 2017

Connected services & new business models:

- Skywise Aircraft Services offers new digital services covering selected applications (such as predictive maintenance, health monitoring, and reliability) combined with aircraft connectivity solution (FOMAX).
- New Business Models projects launched, such as satellite imagery digital services (IDS) and Airbus Aerial drone-based services.

Digital continuity and E2E 3D:

- A350 digital continuity Engineering / Manufacturing has been launched.
- Single Aisle initiative to move from 2D to 3D is progressing with first priority on Systems installation & Cabin to support ramp-up and address customization challenges.

Industrial planning and, supply chain:

- Deployed new planning tool to better manage outstanding work on A350 demonstrating significant reduction in out-of-station work execution lead time & improved burn down performance. Deployment on Single Aisle has started.

Manufacturing, quality, programmes:

- Quality: Deployed new digital applications for non-conformities on A350 with significant benefits on non-conformities eradication (up to -20%), non-conformities processing lead time and cost (-30% to -60%). Achieved 2017 Cost of Non-Quality (CNQ) reduction target.

Information Management

Airbus Information Management (IM) started a Transformation Program in 2017 to become more innovative, agile and focused on business demands. Structured around 15 work streams, the Program will address holistically the different aspects of the digital revolution: industrialised digital; new financial management (shift from IT cost to business value); renew the core (strengthen current Information System landscape); performance management (strong measurement of value KPIs); strategic sourcing; accelerating innovation for IM and for business through self-service platforms.

This paradigm shift relies on two major assets: technology and people.

For technology, IM will simplify and modernise its legacy environment to strengthen the Information System. Renewing IM core systems requires new digital platforms, currently under construction by the Digital Accelerator. The Accelerator will speed the build-up of the industrialized digital capabilities needed to transform the company and deliver customer value faster. In 2018, the Digital Accelerator will provide the technology, platforms and services as re-usable assets (API, Cloud & DevOps, Big Data, IoT, ITSM, Monitoring), as well as will support the launch of new business models such as Skywise.

For people, a new way of working aligned with Airbus needs has been introduced that applies agile principles (short development cycles, clear customer feedback loops, fast failing). In 2018, IM will continue its efforts to attract external talent, up-skill the internal workforce and partner with external companies and start-ups. A new sourcing model will be put in place based on an end-to-end review of current sourcing strategies. The new model will address several key topics and objectives: evaluating investments planned in IT Asset management/service (now workflow management), de-fragmenting the current complex contract/vendor landscape; and moving towards model based on partnership rather than on commodity vendors.

Finally, IM will enable the future Airbus Digital Workplace to empower employees with universal mobility and information access and to foster collaboration across all Functions and Divisions. This will signify a disruptive change in company culture and Way of Working that will help bring Airbus into the digital revolution.

Security

The Airbus business environment is rapidly evolving, requiring mandatory security adaptations to better cope with the fast pace of change. Even though Airbus security can be considered as effective, the past organisations suffered from complexity, overlaps and gaps that could lead to unsatisfactory inconsistencies, and highly time-consuming efforts. The primary objective in 2017 was to make security organisation leaner and better integrated, to break the silos, and to become agile and consistent enough to quickly react to the changing threats landscape and to actively support business and its needs in real time.

Key achievements in 2017:

Setting up Airbus security organisation following the merger of Airbus and Airbus Group according to the new security paradigm

- **Business-centric** security organisation;
- **Modern and agile** security organisation able to evolve with the threats, and to anticipate and react to cyberattacks;
- Single and simple **governance model** with one unique set of documentation for all matters (Cyber, Physical, Products, Industrial Control Systems, IM…) and one **cybersecurity strategy.**

Aligning security priorities with Business Strategies (incl. Digitalisation) in compliance with external rules

- Identify the critical assets together with the business owners and protect our **crown jewels;**
- Support business with an “intelligible” security approach, including **Supply Chain and Extended Enterprise;**
- Finalise and enforce Data Governance and build Security into the projects design.

7. Airbus Strategy

7.1 Commercial leadership, defence and space optimisation and value creation

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 our corporate set-up, simplifies our 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 other 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) 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 3rd dimension to transport options in megacities. This will require new end-to-end solutions combining electrical Vertical Take Off and Landing "eVTOL" vehicles, self-piloting/automation, and a digital, services driven economy with new mobility-as-a-service business models and seamless integration into other transport systems. Starting around 2014, Airbus has made significant progress on technical solutions (e.g., eVTOL vehicle demonstrators) 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, with employees outside Europe almost doubled in the last five years. The workforce in Asia and Latin America experienced important growth. 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, while 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 the Company can differentiate and add value for its customers according to the motto "no one knows our products better than we", aiming at developing long-term customer intimacy and bringing competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. Cooperation with military customers is set to increase substantially through maintenance and support services thanks to the new platforms still to grow fleet, including about 600 Eurofighters, over 150 A400M aircraft, around 500 NH90s and over 150 Tiger helicopters. In Commercial, the installed base is expanding rapidly, and new innovative services (power by the hour, maintenance, training) are being offered successfully.

Airbus has 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.

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 will help to position Airbus for the future. The financial strength of the Company is vital for mastering these challenges, and to ensure that we have enough room for manoeuvre for strategic moves. As a prerequisite, the Company must remain attractive for investors, notably compared to its peers.

7.2 Key divisional priorities 2018

Airbus Commercial Aircraft

- -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, A321neo Airbus Cabin Flex, 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.

Airbus Helicopters

- -Deliver on safety commitments, ensure safety at work.
- -Deliver improvement on financial key performance indicators (KPIs).
- -Deliver on operational and development commitments.

- -Increase customer satisfaction at delivery.
- -Secure cost reduction for 2018-2019.
- -Reduce cost of non-quality.
- -Ensure first H175 in the new industrial set-up in Final Assembly Line.
- -Achieve H160 major milestones.

Airbus Defence and Space

- -Further stabilise the A400M programme, continue enhancing the aircraft's capabilities as agreed with customers.
- -Recover and assure critical programme delivery and win key sales campaigns.
- -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.
- -Secure key future European Defence initiatives including EURODRONE development contract as well as making new Franco-German initiatives a success and driving forward the New Fighter campaign.
- -Accelerate digitalisation and continue to foster innovation, new technologies and new ways of doing business.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding the Company's activities, finances, corporate governance and in particular risk factors, the reader should refer to the Company's website **www.airbus.com.**

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

- The financial statements for the year ended 31 December 2017 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- This Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2017 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

8. Financial targets for 2018

As the basis for its 2018 guidance, 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 FCF guidance is based on a constant perimeter, before M&A.

- Airbus expects to deliver around 800 commercial aircraft which depends on engine manufacturers meeting commitments.

Based on around 800 deliveries:

- Compared to 2017 EBIT Adjusted of € 4,253m, Airbus expects, before M&A:
  - An increase in EBIT Adjusted of approximately 20%
  - IFRS15 is expected to further increase EBIT Adjusted by an estimated € 0.1bn
- 2017 Free Cash Flow before M&A and Customer Financing was € 2,949m
  Free Cash Flow is expected to be at a similar level as 2017, before M&A and Customer Financing

The Board of Directors

Denis Ranque, Chairman

Tom Enders, Chief Executive Officer

Ralph Dozier Crosby, Jr., Director

Catherine Guillouard, Director

Hans-Peter Keitel, Director

Hermann-Josef Lamberti, Director

Lord Drayson (Paul), Director

María Amparo Moraleda Martínez, Director

Claudia Nemat, Director

Sir John Parker, Director

Carlos Tavares, Director

Jean-Claude Trichet, Director

Leiden, 14 February 2018