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Information  
Document  
**2018**

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# Information Document

Airbus SE is a European public company (*Societas Europaea*), with its seat in Amsterdam, The Netherlands, which is listed in France, Germany and Spain.

As a result of the relabelling to a single Airbus brand, Airbus SE together with its subsidiaries is referred to as **“the Company”** and no longer the Group. The segment formerly known as “Airbus Commercial Aircraft” is referred to as **“Airbus”**. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.2 Reportable Business Segments”.

In addition to historical information, this Information Document includes forward-looking statements. The forward-looking statements are generally identified by the use of forward-looking words, such as “anticipate”, “believe”, “estimate”, “expect”,

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

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## Risk Factors

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

# 1. Financial Market Risks

## Global Economic Concerns

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

On 29 March 2017, the UK triggered Article 50 of the Lisbon Treaty, the mechanism to leave the European Union ("Brexit"), before having achieved a roadmap for the complex negotiations. The negotiation period ends on 29 March 2019 and if no agreement is ratified by this time, the UK leaves the European Union with effect from this date and is considered as a third country without a privileged relationship with the European Union. Although the terms of the UK's post-Brexit relationship with the EU are still unknown, the Company, its operations and supply chain may be disrupted by this uncertainty and may be affected by potentially divergent national laws and regulations between the EU and the UK. This will in particular include but not limited to:

- greater restrictions on the import and export of goods and services between the UK and EU countries in which the Company operates along with increased regulatory and legal complexities;
- changes in customs regime between the UK and the European Union, which could result in significant changes at borders and customs controls. An insufficient level of preparedness could also significantly delay the import and export of goods including goods which are transferred between Airbus (and its suppliers') entities in the UK to Airbus (and its suppliers') entities in the EU;
- limitations on the free movement of people and skilled labour are also possible.

The administration of US President Donald Trump has introduced greater uncertainty with respect to US tax and trade policies, tariffs and government regulations affecting trade between the US and other countries.

Although the impact of these geopolitical events cannot reasonably be assessed, the consequences could have a negative effect on the Company's financial condition and results of operations.

If economic conditions were to deteriorate, or if more pronounced market disruptions were to occur, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in credit, currency, commodity and equity markets. This could have a number of effects on the Company's business, including:

- requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decisions by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally;
- an increase in the amount of sales financing that the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft;
- variations in public spending for defence, homeland security and space activities;
- financial instability, inability to obtain credit or insolvency on the part of key suppliers and subcontractors, thereby impacting the Company's ability to meet its customer obligations in a satisfactory and timely manner;
- continued de-leveraging as well as mergers, rating downgrades and bankruptcies of banks or other financial institutions, resulting in a smaller universe of counterparties and lower availability of credit, which may in turn reduce the availability of bank guarantees needed by the Company for its businesses or restrict its ability to implement desired foreign currency hedges;
- default of investment or derivative counterparties and other financial institutions, which could negatively impact the Company's treasury operations including the cash assets of the Company; and
- decreased performance of the Company's 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

The Company 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 the Company's profitability if not hedged. Airbus intends to generate profits only from its operations and not through speculation on the development of such prices. The Company uses hedging strategies to manage and minimise the impact of such price fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

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

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly,

the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant.

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

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

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

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

## Sales Financing Arrangements

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

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan

amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. The Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurance can be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

In addition, the Company has outstanding backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. While past experience suggests it is unlikely that all such proposed financing actually will be implemented, the Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. Despite the measures taken by the Company to mitigate the risks arising from sales financing activities as discussed above, the Company remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future financial condition and results of operations.

## Counterparty Credit

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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, the Company has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

Counterparties for transactions in cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. The Company's credit limit system assigns maximum exposure lines to such counterparties, based on a minimum credit rating threshold as published by Standard & Poor's and Moody's. If neither is present Fitch ratings is used. Besides the credit rating, the limit system also takes into account fundamental counterparty data, as well as sector and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of the Company is reviewed on a regular basis and the respective limits are regularly monitored and updated. The Company also seeks to maintain a certain level of diversification in its portfolio between individual counterparties as well as between financial institutions, corporates and

sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties.

However, there can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's financial condition and results of operations.

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

## Pension Commitments

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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

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As a multinational group with operations and sales in various jurisdictions, the Company 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.

The Company’s policy is to have its economic results taxed in a compliant manner in all countries where it creates value.

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

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

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

## 2. Business-Related Risks

### Commercial Aircraft Market Factors

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

health and the availability of third party financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), carbon standards and other environmental taxes, and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its financial condition and results of operations.

The commercial helicopter market could also be influenced by a number of factors listed above. The civil & parapublic and oil & gas market softness has led to a postponement of investments in the acquisition of new platforms by offshore helicopter players and a reduction of flight hours. Structural changes of the oil &

gas segment are not anticipated at current oil price levels. The uncertainty on the lead time of the market recovery may have an impact on Airbus Helicopters financial results and could lead to cancellations or loss of bookings and services.

## Physical Security, Terrorism, Pandemics and Other Catastrophic Events

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Past terrorist attacks and the spread of disease (such as the H1N1 flu pandemic or the Ebola epidemic in 2013-2016) have demonstrated that such events may negatively affect public perception of air travel safety, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest or uncertainties may also affect the willingness of the public to travel by air. Furthermore, major aircraft accidents may have a negative effect on the public's or regulators' perception of the safety of a given class of aircraft, a given airline, form of design or air traffic management. As a result of such factors, the aeronautic industry may be confronted with sudden reduced demand for air transportation and be compelled to take costly security and safety measures. The Company may therefore suffer from a decline in demand

for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services. Disruptions may be related to threats to infrastructure, personnel security and physical security and may arise from terrorism, drone attacks, natural disasters, damaging weather, and other crises. Any resulting impact on the Company's production, services or information systems could have a significant adverse effect on the Company's operations, financial condition and results of operations as well as on its reputation and on its products and services.

## Cyber Security Risks

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The Company's extensive information and communications systems are exposed to cyber security risks, which are rapidly changing, and increasing in sophistication and potential impact.

The Company is exposed to a number of different types of potential security risks, arising from actions that may be intentional and hostile, accidental or negligent. Industrial espionage, cyber-attacks including systems sabotage, data breaches (confidential data, personal data and intellectual property), and data corruption and availability (notably ransomware) are the main risks that the Company may face. Risks related to the Company's industrial control systems, manufacturing processes and products are growing, with the increase of interconnectivity and digitalisation, and with a growing gap developing between the defences of older, relatively insecure industrial systems and the capabilities of potential attackers as well as an increasingly competitive landscape in both historical and new businesses of the Company.

All of the above mentioned risks are heightened in the context of greater use of cloud services, increasingly capable adversaries, integration with the extended enterprise, the relatively insecure "internet of things" and the growing use in the Company's IT systems of sophisticated mobile devices. Social engineering is a growing threat, exacerbated by advances in machine learning.

Finally, the Company is exposed to reputational damage from the growing volume of false and malicious information injected to media and social networks.

While the Company continues to make significant efforts to prevent such risks from materialising, making targeted investments will reduce but not eradicate likelihood and impact through strengthening the business cyber resilience.

The materialisation of one or several of such risks could lead to severe damage including but not limited to significant financial loss, need for additional investment, contractual or reputational performance degradation, loss of intellectual property, loss of business data and information, operational business degradation or disruptions, and product or services malfunctions.

## Dependence on Key Suppliers and Subcontractors

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The Company is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts, assemblies and systems that it needs to manufacture its products.

The Company relies upon the good performance of its suppliers and subcontractors to meet the obligations defined under their contracts. Supplier performance is continually monitored and assessed so that supplier development programmes can be launched if performance standards fall below expectations.

In case of supplier non-performance a systematic review and application of contractual liabilities linked to contract execution allows the Company to mitigate its financial exposure due to the supplier non-performance. The Company also implements performance improvement agreements with suppliers to incentivise suppliers to sustainably restore contractual performance levels.

In addition, the Company benefits from its inherent flexibility in production lead times to compensate for a limited non-performance of suppliers, protecting the Company's commitments towards its customers. In certain cases, dual sourcing is utilised to mitigate the risk. However, no absolute assurance can be given that these measures will fully protect the Company from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its financial condition and results of operations.

Changes to the Company's production or development schedules may impact suppliers so that they initiate claims under their respective contracts for financial compensation. However the robust, long-term nature of the contracts and a structured process to manage such claims, limits the Company's

exposure. Despite these mitigation measures, this could still result in a negative impact on the financial condition and results of operations of the Company.

As the Company's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest or natural disasters which could interrupt deliveries. Country-based risk assessment (including of applicable laws and regulations) is performed by the Company to monitor such exposures and to ensure that appropriate mitigation plans or fall-back solutions are available for deliveries from suppliers considered to be at risk. Despite these measures, the Company remains exposed to interrupted deliveries from suppliers impacted by such events and/or regulations, which could have a negative effect on the financial condition and results of operations of the Company.

Suppliers (or their sub-tier suppliers) may also experience financial difficulties requiring them to file for bankruptcy protection, which could disrupt the supply of materials and parts to the Company. However, financial health of suppliers is analysed prior to selection to minimise such exposure and then monitored during the contract period to enable the Company to take action to avoid such situations. In exceptional circumstances, the Company may be required to provide financial support to a supplier and therefore face limited credit risk exposure. If insolvency of a supplier does occur, the Company works closely with the appointed administrators to safeguard contractual deliveries from the supplier. Despite these mitigation measures, the bankruptcy of a key supplier could still have a negative effect on the financial condition and results of operations of the Company.

## Industrial Ramp-Up

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As a result of the large number of new orders for aircraft recorded in recent years, the Company is in the process of accelerating its production in order to meet the agreed upon delivery schedules for such new aircraft. The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given the high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of engines and buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such

factors is also complicated by the development of new aircraft programmes in parallel, across Airbus and the two Divisions, which carry their own resource demands. Therefore, failures relating to any or all of these factors could lead to missed or delayed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. The associated risks may increase as the Company and its competitors announce further production rate increases. Significant efforts have been made to improve supply chain stability and performance. Specific areas of risk with suppliers of engines and of cabin equipment continue to be carefully managed.



## Technologically Advanced Products and Services

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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, the Company 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 the Company's contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules

or other measures of contract performance — in particular with respect to new development programmes such as the A350-900 and -1000 XWB, A400M, H175 or H160 and to modernisation programmes such as the A320neo and the A330neo. See “— Programme-Specific Risks” below.

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. See “— Management's Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.3 Significant programme developments, restructuring and related financial consequences in 2016, 2017 and 2018”. 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

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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

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From 1992 to 2004, the EU and the US operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US unilaterally withdrew from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization (“WTO”). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. Separately, Brazil has initiated WTO proceedings citing Canadian support to the C Series aircraft. Here too, a negotiated outcome would be preferable. Domestic proceedings in the United States based on alleged subsidies to the C Series were dismissed. The terms

and conditions of any new agreement, or the final outcome of the formal WTO or other trade law proceedings, may limit access by the Company to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

In prior years, the Company and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings

mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, the Company's credit ratings, as well as the possibility that lenders or investors could develop a negative perception of the Company's long- or short-term financial prospects if it incurred

large losses or if the level of its business activity decreased due to an economic downturn. The Company may therefore not be able to successfully obtain additional outside financing on appropriate terms, or at all, which may limit the Company's future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

## Competition and Market Access

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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

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The business environment in many of the Company's principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. The business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Successful development of new programmes also depends on the Company's ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's financial condition and results of operations.

No assurance can be given that the Company will achieve the anticipated level of returns from these programmes and other development projects, which may negatively affect the Company's financial condition and results of operations and competitiveness.

In the context of the post-Brexit relationship between the UK and the EU, there is a risk that the Company might lose access to pooled expertise and knowledge and could face disruptions within its interdependent and extensively integrated research and innovation networks across the UK and the EU countries. The Company may also face lack of certainty with respect to intellectual property rights for existing or new programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the EU.

## Digital Transformation, Continuous Improvement and Competitiveness Programmes

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In order to improve current operational performance while preparing for the future, the Company launched in 2017 the integration of its headquarters and corporate functions with the largest Division, Airbus Commercial Aircraft (now referred to as “Airbus”), 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 Chief Technology Office (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

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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

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Defence customers may request proposals and grant contracts under schemes known as public-private partnerships (“PPPs”) or private finance initiatives (“PFIs”). PPPs and PFIs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek additional customers for unused capacity.

The Company is party to PPP and PFI contracts, for example Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project both with the UK MoD. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the life-time of the project.

There can be no assurances of the extent to which the Company will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. The Company may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.



## Programme-Specific Risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks (while this list does not purport to be exhaustive, it highlights the current risks believed to be material by management and that could have a significant impact on the Company's financial condition and results of operations):

**A320neo programme.** In connection with the A320neo programme, the Company faces the following main challenges: A320neo (new engine option) ramp up including the A321neo ACF (Airbus Cabin Flex); management of the internal and external supply chain pressure as a result of the industrial ramp-up; ensuring maturity and high quality service support for a growing number of operators of A320neo. The main focus will be with the further ramp-up for Airbus and both engine suppliers. For both engine suppliers, challenges are to (i) meet the delivery commitments in line with agreed schedule and ensure sufficient engine availability; (ii) fix in-service maturity issues in line with Airbus and customer expectations and mitigate the associated consequences; (iii) manage engine upgrades and performance. The E2E industrial and delivery process at Airbus is under review and will result in significant process and organisation changes.

**A400M programme.** In 2018, Airbus continued with development activities toward achieving the technical capabilities, including the achievement of an important development milestone according to schedule. After the signature of a Declaration of Intent ("DOI") in February 2018, the Company has been working together with OCCAR and concluded the negotiations on the contract amendment. The customer Nations are now set to endorse the agreement to allow pursuing the domestic approval processes before signing the contract amendment.

Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines and on cost reductions as per the revised baseline.

For further information, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 10: Revenue and Gross Margin".

**A350 XWB programme.** In connection with the A350 XWB programme, the Company faces the following main challenges: ensuring satisfaction of operators and high quality support to their operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; reducing recurring costs during the ongoing ramp-up; maintaining customisation and ramp-up of Heads of Version; maintaining the development schedule in line with learning curve assumptions beyond the initial ramp up phase of A350-1000 XWB; maintaining attention on engine development; and customer support for new type in service.

**A380 programme.** In connection with the A380 programme, the Company faces the following main challenges: ramp down the yearly production rate in line with demand and further reduce fixed costs and adjust resources to the new delivery level; and manage maturity in service.

**A330 programme.** In connection with the A330 programme, the main challenge the Company faces is to manage the transition to A330neo. The A330neo development progresses after successful EIS (Entry Into Service). For the engine supplier, the main challenges relate to meeting the delivery commitments and ensuring engine maturity.

**A220 programme.** In connection with the A220 programme, the main challenges the Company faces are to build commercial momentum, ramp up production and reduce costs.

**H225 programme and AS332 L2 fleet.** In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway, the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations. Publication of the final AIBN report in July 2018 confirmed the work on incremental improvements on the H225 as part of its ongoing, continuous improvement.

**H175 programme.** In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the delivery of the first H175 in VIP configuration in 2016, the delivery of the 6 first H175 in Public Services intermediate operational configuration in 2018, the Company is working on the maturity plan of the aircraft with the associated industrial ramp-up and on the customer support.

**NH90 and Tiger programmes.** In connection with the NH90 and Tiger programmes, the Company is delivering according to contracts whilst negotiations for the end of some contracts and some new contract amendments are still ongoing. In connection with multiple fleets entering into service it faces the challenge of assuring support readiness.

**H160 programme.** In connection with the H160 programme, the main challenge the Company faces is to manage the certification and the production ramp-up. H160 development and supply chain performance and production ramp-up progress after 1,050 flights hours performed by the end of 2018 by prototypes and pre-serial 2 (PS2) move to the flight line.

**Border security.** In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers. Negotiations on change requests and schedule re-alignments remain ongoing. Export licenses from Germany to Saudi Arabia are currently suspended.

## 3. Legal Risks

### Dependence on Joint Ventures and Minority Holdings

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

- the Eurofighter and AirTanker consortia; and
- four principal joint ventures: ArianeGroup, ATR, CSALP and MBDA.

The formation of partnerships and alliances with other market players is an integral strategy of the Company, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of the Company's existing joint ventures.

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate

only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

In addition, in those holdings in which the Company is a minority partner or shareholder, the Company's access to the entity's books and records, and as a consequence, the Company's knowledge of the entity's operations and results, is generally limited as compared to entities in which the Company is a majority holder or is involved in the day-to-day management.

### Product Liability and Warranty Claims

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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

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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

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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

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The Company is required to comply with applicable anti-bribery laws and regulations in jurisdictions around the world where it does business. To that end, an anti-corruption programme has been put in place that seeks to ensure adequate identification, assessment, monitoring and mitigation of corruption risks. Despite these efforts, ethical misconduct or non-compliance with applicable laws and regulations by the Company, its employees or any third party acting on its behalf could expose it to liability or have a negative impact on its business.

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK Serious Fraud Office announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the Parquet National Financier ("PNF"), had also opened a preliminary investigation into the same subject

and that the two authorities will act in coordination going forward. The Company has engaged with the government of the United States relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company has also engaged with the government of the United States concerning potential issues of ITAR Part 130 and related matters. See "— Information on the Company's Activities — 1.1.7 Legal and Arbitration Proceedings".

The Company cannot predict at this time the impact on it as a result of these matters, and accordingly cannot give any assurance that it will not be adversely affected. 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

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The Company is currently engaged in a number of active legal and regulatory proceedings. See “— Information on the Company’s Activities — 1.1.7 Legal and Arbitration Proceedings”. The Company expects to continue to incur time and expenses associated with its defence, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company’s business, financial condition and results of operations. An unfavourable ruling could also negatively impact the Company’s stock price and reputation.

In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company’s reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, financial condition and results of operations. See “— Non-Financial Information — 1.1.8.4(a) Responsible Business — Ethical Business Practices”.

## 4. Environmental, Health and Safety Risks

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety. This expenditure includes the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Environmental protection includes costs to prevent, control, eliminate or reduce emissions to the environment, waste management, the content of the Company’s products, and reporting and warning obligations. Moreover, new laws and regulations, the imposition of tougher licence requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause the Company to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its financial condition and results of operations.

If the Company fails to comply with health, safety and environmental laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some health,

safety and environmental laws can be imposed retrospectively, on a joint and several basis, and, in relation to contaminated sites, without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company’s financial condition and results of operations.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers, and those covering substances and preparations, in the jurisdictions in which they operate. Although the Company seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU Regulation known as “REACH”, which addresses the production and use of chemical substances) may force the Company to adapt, redesign, redevelop, recertify and/or eliminate its products from the market. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. Any problems in this respect may also have a significant adverse effect on the reputation of the Company and its products and services.

Despite compliance with all applicable laws and regulations, the Company’s reputation may also be affected by the public perception of environmental impacts of the Company’s products in operation (such as the emission of greenhouse gases or noise) and of the local environmental impacts of Airbus and its supply chain industrial operations on local air and water quality.



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## Information on the Company's Activities

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# 1.1 Presentation of the Company

## 1.1.1 Overview

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

With consolidated revenues of €63.7 billion in 2018, the Company is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners. The Company is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, the Company provides the most efficient civil and military rotorcraft solutions worldwide. In 2018, it generated 84.5% of its total revenues in the civil sector (compared to 85% in 2017) and 15.5% in the defence sector (compared to 15% in 2017). As of 31 December 2018, the Company's active headcount was 133,671 employees.

### Strategy

2018 was the year Airbus operated as One Company after the completion of the Airbus Group and Airbus integration. This evolution simplified our company's governance, eliminated redundancies and supported further efficiencies, while at the same time driving further integration of the entire group. The Company overall will derive considerable benefit from the integration through more focused business support and reduced costs.

Airbus Defence and Space continued to reshape its portfolio and refocus on military aircraft, missiles, launchers and satellites. The Company pursued the divestment process of the businesses that do not fit with the new strategic goals and have better futures in more tailored ownership structures. The Company completed the divestment of its North American Airbus DS Communications Inc. business.

Airbus Helicopters retained its leadership in civil and parapublic segment and managed to increase its market share in military segment, while operating in a challenging market environment.

The eight long term paths of the Company's strategy remain as follows:

#### 1. Remain a leader in commercial aerospace, strengthen market position and profitability

The commercial aircraft business aims to be largely self-sufficient going forward. Focus upon on-time, on-cost and on-quality deliveries is paramount given the huge backlog execution challenge (over 7,500 aircraft). Airbus aims to further strengthen its position through focusing on digitalisation, innovation, services, improving our industrial system, and a more global approach.

On 1 July 2018, Airbus announced the closing of the A220 (formerly known as C Series) transaction between Airbus SAS, Bombardier Inc. and Investissement Québec. Airbus now owns a 50.01% majority stake in the aircraft programme. A220 aircraft

expand the Airbus single-aisle family to cover the 100-150 seat segment – and respond to a worldwide market demand for single-aisle jetliners in that segment.

Despite challenges in the traditional helicopter market, Airbus Helicopters has shown resilient performance, keeping its market leadership in the civil & parapublic segments.

#### 2. Preserve our leading position in European Defence, Space and Government markets by focusing on providing military platforms, space assets, and associated services, as well as through our participation in missile and launcher joint ventures

The disproportionate scale of our commercial aircraft business compared to our Defence, Space and Government activities has diluted the latter's ability to serve as an effective tool to manage and hedge against commercial cycles. Nevertheless, the Company remains fully committed to serving its institutional and government customers by actively shaping and strengthening its Defence, Space and Government businesses. The Company is doing so by: (i) leveraging customer funding to develop and deliver high performance military aircraft, space, and related service offerings as well as through its participation in missile and launcher joint ventures; and (ii) focusing on productivity improvements – both through internal means and in the context of European industrial optimization – that will better position the Company in Space and export markets.

In 2018, the Company worked with our government and institutional customers to anticipate and prepare competitive next generation solutions – including in the domains of Future Combat Air Systems, European MALE RPAS, Maritime Airborne Warfare Systems, and space situational awareness – while concurrently developing new digital and other services, e.g SmartForce offerings that will improve availability and total lifecycle costs of our military aircraft fleets.

On military markets, Airbus Helicopters also showed strong performance, as market share increased.

#### 3. Pursue incremental innovation potential within product programmes while pioneering and fostering disruptions in our industry, and developing necessary skills and competencies required to compete in the future

Airbus innovates every day to increase its value propositions by enhancing product performance, creating new customer benefits and reducing costs. Our cutting-edge technologies



and scientific excellence contribute to global progress and to delivering solutions for society's challenges, such as environmental protection, mobility and safety.

After many new product developments in recent years, the majority of the Company's revenues are generated today in segments where we have competitive, mature products that are far from the end of their lifecycle. Innovation will therefore target maintaining, expanding and continually leveraging the competitiveness of these products.

In addition, the Company raised its ambitions to pioneer and disrupt the aerospace industry in areas that will shape the market and our future and made a substantial effort in breakthrough innovation.

A prime example of how the Company leads disruption in the aerospace industry is Urban Air Mobility, "UAM": we expect a large-scale market to emerge by adding the third dimension to transport options in megacities. This will require new end-to-end solutions combining electrical Vertical Take Off and Landing "eVTOL" vehicles, self-piloting/automation, and a digital, services driven economy with new mobility-as-a-service business models and seamless integration into other transport systems. Starting around 2014, the Company has made significant progress on technical solutions (e.g., eVTOL vehicle demonstrators, air traffic management, infrastructure) and business aspects (disruptive strategy, on-demand helicopter transport, policy making support) and has become a precursor in the field.

#### 4. Exploit digitalisation to enhance our current business as well as pursue disruptive business models

Digitalisation will support the Company's transformation by focusing on five main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering our product data value chain and turning product data into insight, (iv) capturing the end-user experience and (v) driving our business agility.

Airbus launched Skywise, a data platform in collaboration with pioneers in data integration and advanced analytics. Skywise has established an early lead in the race to connect the aviation industry since its launch in 2017 at the Paris Air Show. Skywise aims to become the single platform of reference used by all major aviation players to improve their operational performance and business results and to support their own digital transformation.

In 2018, Airbus Defence and Space together with Airbus Helicopters launched the SmartForce suite of services to enable military operators to exploit the data gathered by their aircraft to enhance operational safety, boost mission availability and reduce maintenance support costs.

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

The Company has a worldwide presence in 38 countries. The number of employees employed outside core countries is circa 15,300 and this will continue to grow. In Canada alone our numbers have increased significantly from 152 in 2017 to about 2,300 employees in 2018 following our C Series Joint Venture with Bombardier.

An important aspiration for the Company with a global workforce is to build on its diversity and multicultural teams to support our Industrial cooperation, help us anticipate and respond to geopolitical changes. Our desire to move from an ethnocentric to a geocentric approach is reflected in our mobility strategy which aims to enrich our founding countries with international talents. Our "Regional Focus Reviews" is another platform used to identify and develop our top talents in all regions and encourage inter and intra mobilities between our regions and founding countries.

Other key programmes introduced are as follows:

- iJet: launched in 2017 to create customised development programmes to accelerate the career of our top junior international talents (internal);
- IGP: a two-year international development programme aimed to attract young and talented individuals (external).

Our Airbus Global University Partner Programme connects a global network of universities and aims to develop engineering and technology specialists of the future. The programme currently covers 26 universities in 13 countries over 4 continents.

We are also looking at developing new innovative ideas for the future like designing an end-to-end process between Airbus Foundation and Airbus HR programmes to channel students into Airbus jobs and to conduct a feasibility study on launching an International Bursary Programme to inspire less privileged children from countries such as Africa and India to study aerospace engineering.

Last but not least, with a view to obtaining external perspectives, the Company is building an external community of international leadership profiles to facilitate open exchanges with the Company.

#### 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 in the still growing fleet, which will include about 600 Eurofighters, over 170 A400M aircraft, around 550 NH90s and over 200 Tiger helicopters.

Since 1974, Airbus has delivered close to 12,000 commercial aircraft with over 7,500 still to be delivered. As the installed base is expanding rapidly, new innovative services (power by the hour, maintenance, and training) are being offered successfully.

Airbus Helicopters is a typical example of a well-balanced business mix between platform manufacturing and services. Through the HCare service offer, Airbus Helicopters provides material management, helicopter maintenance, technical support, training and flight ops, and connected services.

Airbus Defence and Space is developing GEO-Information & GEO-Intelligence services to better cater not just to governments but also commercial needs.

## 7. Strengthen the value chain position

The Company's core capability has been to master programme management and architect / integrator capabilities in order to design, develop, manufacture, market and service large-scale aeronautics / space platforms and integrated systems. As the Company performs a strong platform prime integrator role, managing the supplier base to enable the delivery of on time and on quality product to the final customer. We aim to strengthen and optimise selected strategic value chain areas to protect our intellectual property, manage risks, improve customer satisfaction, increase profit, offer services, build competencies and differentiate our offerings. The Company's 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, the Company is continually assessing its strategy with regard to topics such as, supplier selection, dual source, make or buy, core non-core and M&A. This allows the Company to offer and deliver the best product to the customer whilst consistently enhancing key bricks in the value chain.

## 8. Focus on profitability, value creation and market position; no need to chase growth at any cost; actively manage portfolio

Thanks to strong organic growth potential, mainly in the commercial airplane business, Airbus is going through a series of production ramp-ups with associated financial needs. On top of that, targeted investments are expected to help to position the Company for the future. The financial strength of the Company is vital for mastering these challenges, and to ensure that we have enough room for manoeuvre for further strategic moves. As a prerequisite, the Company must remain attractive for investors, notably compared to its peers.

## Organisation of the Company's Businesses

In 2018, the Company organised its businesses into the following three operating segments: (i) Airbus (formerly Commercial Aircraft), (ii) Helicopters and (iii) Defence and Space. However, as a continuation of a number of integration and normalisation steps that took place in 2012, 2013 and 2015, the Company merged its Group structure with its largest division Commercial Aircraft. The merger began mid-2017 and provided the opportunity to introduce a single Airbus brand for the Company and all its entities, effective since January 2017. In 2017, Airbus Group SE's name was changed to Airbus SE, following approval at the Annual General Meeting. Therefore, Airbus SE together with its subsidiaries is referred to as "the Company" and no longer the "Group". Consequently, the segment formerly known as "Airbus Commercial Aircraft" is referred to as "Airbus". In this new set-up, the Company retains Airbus Defence and Space and Airbus Helicopters as Divisions. The chart set out in "— General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart" illustrates the allocation of activities.

## Airbus (Commercial Aircraft)

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. Across all its aircraft families Airbus' unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines.

Since it was founded in 1970 and up to the end of 2018, Airbus has received net orders for 19,340 commercial aircraft from 414 customers around the world. In 2018, Airbus delivered 800 aircraft (compared to 718 deliveries in 2017) and received 831 gross orders (compared to 1,229 gross orders in 2017), or 41% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats (compared to 50% in 2017). After accounting for cancellations, net order intake for 2018 was 747 aircraft (compared to 1,109 aircraft in 2017). As of 31 December 2018, Airbus's backlog of commercial orders was 7,577 aircraft (compared to 7,265 aircraft in 2017).

In 2018, Airbus recorded total revenues of €47.97 billion – representing 75% of the Company's revenues. See "— 1.1.2 Airbus".

## Helicopters

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

Airbus Helicopters delivered 356 helicopters in 2018 (409 in 2017) and received 381 net orders in 2018 (compared to 335 net orders in 2017). Order intake amounted to €5.95 billion (2017: €6.23 billion). Civil contracts accounted for 43% of this order volume, with military sales representing the remaining 57%. At the end of 2018, Airbus Helicopters order book stood at 717 helicopters (2017: 692 helicopters).

In 2018, Airbus Helicopters recorded total revenues of €5.93 billion, representing 9% of the Company's revenues. See "— 1.1.3 Helicopters".

## Defence and Space

Airbus Defence and Space is Europe's number one defence and space enterprise, one of the world's leading space companies and among the top 10 global defence enterprises. Defence and Space puts a strong focus on core businesses: space, military aircraft, missiles and related systems and services.

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

In 2018, Airbus Defence and Space recorded total revenues of €11.1 billion, representing 17% of the Company's revenues. See "— 1.1.4 Defence and Space".

## Summary Financial and Operating Data

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

The 2017 financial information has been restated to reflect the new segment structure. In addition, the 2017 financial information has been restated under IFRS 15 when required by the standard.

The 2016 financial information has not been restated under IFRS 15. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2.1 Operating and Financial Review”.

Additionally, the 2017 and 2016 figures for order intake and order backlog have not been restated for IFRS 15. See “— 2.1.3.2: Order Intake and Order Backlog”.

### REVENUE BY BUSINESS SEGMENT

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Airbus	47,970	43,486	50,958	49,237
Airbus Helicopters	5,934	6,335	6,450	6,652
Airbus Defence and Space	11,063	10,596	10,804	11,854
<b>Subtotal segmental revenue</b>	<b>64,967</b>	<b>60,417</b>	<b>68,212</b>	<b>67,743</b>
Transversal / Eliminations <sup>(1)</sup>	(1,260)	(1,395)	(1,445)	(1,162)
<b>Total</b>	<b>63,707</b>	<b>59,022</b>	<b>66,767</b>	<b>66,581</b>

(1) “Transversal / Eliminations” comprises activities not allocable to the reportable segments, combined together with consolidation effects.

### REVENUE BY GEOGRAPHICAL AREAS

	<b>Year ended 31 December 2018</b>		Year ended 31 December 2017 as restated		Year ended 31 December 2017 as reported		Year ended 31 December 2016 as reported	
	<i>(In € billion)</i>	<i>(In percentage)<sup>(1)</sup></i>	<i>(In € billion)</i>	<i>(In percentage)<sup>(1)</sup></i>	<i>(In € billion)</i>	<i>(In percentage)<sup>(1)</sup></i>	<i>(In € billion)</i>	<i>(In percentage)<sup>(1)</sup></i>
Asia / Pacific	23.3	36.6%	21.3	36.1%	24.8	37.2%	21.3	32.0%
Europe	17.8	27.9%	15.8	26.8%	17.0	25.4%	21.4	32.1%
North America	11.1	17.4%	10.8	18.3%	12.6	18.9%	8.9	13.4%
Other countries <sup>(2)</sup>	11.5	18.1%	11.1	18.8%	12.4	18.5%	15.0	22.5%
<b>Total</b>	<b>63.7</b>	<b>100%</b>	<b>59.0</b>	<b>100%</b>	<b>66.8</b>	<b>100%</b>	<b>66.6</b>	<b>100%</b>

(1) Percentage of total revenue after eliminations.

(2) Including the Middle East.

### ORDER INTAKE BY BUSINESS SEGMENT<sup>(1)</sup>

	<b>Year ended 31 December 2018</b>		Year ended 31 December 2017		Year ended 31 December 2016	
	<i>(In € billion)</i>	<i>(In percentage)<sup>(2)</sup></i>	<i>(In € billion)</i>	<i>(In percentage)<sup>(2)</sup></i>	<i>(In € billion)</i>	<i>(In percentage)<sup>(2)</sup></i>
Airbus	41.5	73.7%	143.4	90.3%	114.9	84.3%
Airbus Helicopters	6.3	11.3%	6.5	4.1%	6.1	4.4%
Airbus Defence and Space	8.4	15.0%	8.9	5.6%	15.4	11.3%
<b>Subtotal segmental order intake</b>	<b>56.3</b>	<b>100%</b>	<b>158.8</b>	<b>100%</b>	<b>136.4</b>	<b>100%</b>
Transversal / Eliminations	(0.8)		(1.1)		(1.9)	
<b>Total</b>	<b>55.5</b>		<b>157.7</b>		<b>134.5</b>	

(1) Without options.

(2) Before “Transversal / Eliminations”.

ORDER BACKLOG BY BUSINESS SEGMENT<sup>(1)</sup>

	Year ended 31 December 2018		Year ended 31 December 2017		Year ended 31 December 2016	
	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>
Airbus	411.7	89.1%	950.4	95.1%	1,010.2	95.0%
Airbus Helicopters	14.9	3.2%	11.2	1.1%	11.3	1.1%
Airbus Defence and Space	35.3	7.7%	37.4	3.8%	41.5	3.9%
<b>Subtotal segmental order backlog</b>	<b>461.9</b>	<b>100%</b>	<b>999.0</b>	<b>100%</b>	<b>1,063.0</b>	<b>100%</b>
Transversal / Eliminations	(2.4)		(2.1)		(2.6)	
<b>Total</b>	<b>459.5</b>		<b>996.8</b>		<b>1,060.4</b>	

(1) Without options.

(2) Before "Transversal / Eliminations".

### Relationship between Airbus SE and the Company

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

put in place with the subsidiaries and services are invoiced on a cost plus basis.

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

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

## 1.1.2 Airbus (Commercial Aircraft)

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. In order to help shape the future of air transportation and drive steady growth around the world, Airbus seeks incremental innovative technological solutions and the most efficient sourcing and manufacturing possible – so airlines can grow and people can connect. Airbus' comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 600 seats: the A220 Family (formerly Bombardier Inc.'s C Series); the A320 Family, which is civil aviation's best-selling product line; the A330 Family, including the advanced A330neo; the new-generation widebody A350 XWB; and the double-deck A380. Across its aircraft families Airbus' solutions ensure that aircraft share high commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines. See "— 1.1.1 Overview" for an introduction to Airbus.

Airbus' global presence includes, on top of France, Germany, Spain and the United Kingdom, fully-owned subsidiaries in the United States, China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. Airbus also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also hubs and field service stations

around the world. Airbus also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers around the world.

### Strategy

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

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

Airbus continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product line. Several products entered into service in 2018:

- the A321LR, extending the capabilities of the A320 Single-Aisle Family in order to maintain its position as the most advanced and fuel-efficient single-aisle aircraft family;
- the A330neo (new engine option), the new generation of the A330 Family;
- the A350-900 ULR (Ultra Long Range), variant of the A350 XWB capable of flying up to 9,700 nautical miles;



– the A350-1000, Airbus' latest and largest widebody in the twin-aisle category.

To support the A350 XWB ramp-up and other production increases, a new super transporter is under development, with the first of five Beluga XL aircraft to enter into service in 2019. The first flight of the Beluga XL took place in July 2018.

Airbus remains at the forefront of the industry by expanding its customer services offering – see Customer Services.

### Building a Leaner, More Fully Integrated Company

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

## Market

### Market Drivers

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

According to internal estimates, demand for 37,400 passenger and freight aircraft is forecast in the next 20 years with Asia-Pacific accounting for 42% of deliveries. In recent years, China and India have emerged as significant new aircraft markets. As a result, Airbus has sought to strengthen its commercial and industrial ties in these countries.

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

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

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

More recently, air travel demand growth has maintained solid momentum, supported by positive ongoing improvement in global economic conditions throughout the year. World real GDP growth is projected to be at +3.2% in 2018, and forecast to remain positive with +3.0% in 2019 and +2.9% in 2020.

Preliminary figures released at the end of 2018, by the International Civil Aviation Organisation (ICAO), confirmed that some 4.3 billion passengers made use of the global air transport network for their business, tourism needs or for simply visiting friends and relatives (VFR) in 2018. The annual passenger total is up 6.1% compared to 2017 and the number of departures rose to approximately 38 million globally. World passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 6.7% with approximately 8.2 trillion revenue passenger kilometres performed.

Through its analysis Airbus continues to believe in the long term growth potential of our industry. The commercial aviation industry has been resilient to external shocks and traffic has grown X2.3 since 2000. Based on internal estimates, Airbus a growth rate of 4.4% annually during the period 2018-2037. If the actual growth rate equals or exceeds this level, Airbus expects that passenger traffic, as measured in revenue passenger kilometres, will double in the next 15 years.

**Cyclicity.** Despite an overall growth trend in air travel, aircraft order intake can vary significantly from year to year and within different regions, due to the volatility of airline profitability, cyclicity of the economy, aircraft replacement waves and occasional unforeseen events which can depress demand for air travel. However, new product offerings and growth across the market has resulted in good levels of order activity in recent years. For example, in 2018, Airbus added 747 net orders to its order book, with orders for aircraft from all segments of the market.

Despite some cyclicity in airline demand, Airbus aims to secure stable delivery rates from year to year, supported by a strong backlog of orders and a regionally diverse customer base. At the end of 2018, the backlog stood at 7,577 aircraft. Through careful backlog management, close monitoring of the customer base and a prudent approach to production increases, Airbus has successfully increased annual deliveries for 16 years running, even through the economic crisis of 2008-2009.

**Regulation / Deregulation.** National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the US deregulated its domestic air transportation system, followed by Europe in 1985. The more recently negotiated "Open Skies Agreement" between the US and Europe, which became effective in 2008, allows any European or US airline to fly any route between any city in the EU and any city in the US. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the creation and growth of new airlines or new airline models, as

has been the case with the no-frills / low-cost airline model, which has increased in importance throughout major domestic and intra-regional markets since deregulation (e.g., in the US and Europe).

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

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

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

**Alliances.** The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, one-third of the world’s jetliner seats being flown today are operated by just 18 airlines. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members’ hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access.

### Market Structure and Competition

**Market segments.** According to a study conducted by Airbus, some 19,800 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2018. Currently, Airbus competes in each of the four principal market segments for aircraft with more than 100 seats.

“Small” aircraft, such as the A220 and A320 Families, having 100 to more than 200 seats, and which are used principally for short-range and medium-range routes of up to 3,000 nautical miles.

“Medium” aircraft typically offering up to 300 seats on routes of up to 5,000 nautical miles. This includes long range versions of the A220 and A320 as well as the A330 family.

“Large” aircraft, such as the A330’s and variants of the A350-900 XWB. These families are typically configured with two aisles and seat up to 350 on routes of up to 10,000 nautical miles.

“Very Large aircraft”, such as the A350-1000 and A380, are designed to carry more than 350 passengers and also to operate on routes of up to 10,000 nautical miles.

Freight aircraft, which form a fifth, related segment, are a combination of new build and converted ex-passenger aircraft. Converted aircraft are prevalent in the expanding e-commerce market which typically sees relatively low aircraft utilization. This can provide an economical “second life” for in-service aircraft from the A320 and A330 families. See “— Regional Aircraft, Aerostructures, Seats and Aircraft Conversion — EFW”.

Airbus also competes in the corporate, VIP business jet market with the ACJ. Airbus continues to develop corporate jet versions of its modern airliner family, notably the ACJ319neo and ACJ320neo, as well as offering new variants, such as the ACJ330neo and ACJ350 XWB. The increased range of these aircraft extends Airbus’ leadership in cabin comfort to even longer flights. First flight of the ACJ320neo took place on 16 November 2018 with the first aircraft delivered on 16 January 2019.

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

An ACJ Service Centre Network is progressively being implemented, building on Airbus’ philosophy of customer care.

More than 200 Airbus aircraft operate worldwide in service with companies, individuals and governments.

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

**Competition.** Airbus has been operating in a duopoly since Lockheed’s withdrawal from the market in 1986 and Boeing’s acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats has been divided between Airbus and Boeing. According to the manufacturers’ published figures for 2018, Airbus and Boeing, each accounted for 50% of total commercial aircraft deliveries, 46% and 54% of total net orders (in units), and 56% and 44% of the total year-end backlog (in units). With 800 deliveries, 2018 was Airbus’ 16<sup>th</sup> year in a row of increased production.

Nevertheless, the high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, and besides Boeing, Airbus faces international competitors. Regional jet maker Embraer, coming from the less than 100-seat commercial aircraft market, continues to develop larger airplanes and is working towards a strategic partnership with Boeing. Additionally, other competitors from Russia, China and Japan will enter the 70 to 150 seat aircraft market over the next few years, and today are studying larger types.

In October 2017, Airbus SE and Bombardier Inc. agreed to form a partnership in relation to the C Series. Having received all required regulatory approvals, Airbus SE, Bombardier Inc. and Investissement Québec closed the C Series transaction effective on 1 July 2018 and as a result, the Company has acquired a majority stake in the C Series Aircraft Limited Partnership.

The partnership brings together two complementary product lines, the A220-100 and A220-300, targeting the 100-150 seat market segment with an addressable market of at least 7,000 new aircraft over the next 20 years in the segments in which they compete.

The Mirabel-based partnership benefits from Airbus' global reach, scale, procurement organisation and expertise in selling, marketing and producing the A220. Significant production efficiencies are anticipated by leveraging Airbus' production ramp-up expertise.

## Customers

As of 31 December 2018, Airbus had 414 customers and a total of 19,340 Airbus aircraft had been ordered, of which 11,763 aircraft had been delivered to operators worldwide. The table below shows Airbus' largest commitments in terms of total gross firm orders by customer for the year 2018.

Customer	Firm orders <sup>(1)(2)</sup>
Avolon	100
Jetblue Airways	60
Moxy	60
Vietjet Air	50
Scandinavian Airlines	36
Lufthansa	32
Aegean Airlines	30
Delta Air Lines	25
Turkish Airlines	25
Viva Aerobus	25

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

(2) Excludes undisclosed customers.

## Products and Services

### The Family Concept — Commonality across the Fleet

Airbus' aircraft families promote fleet commonality. This philosophy takes a central aircraft and tailors it to create derivatives to meet the needs of specific market segments, meaning that the A320, A330, A350 and A380 all share the same cockpit philosophy, fly-by-wire controls and handling characteristics. Pilots can transfer among these aircraft within the Airbus family with minimal additional training. Cross-crew qualification across families of aircraft provides airlines with significant operational flexibility. In addition, the emphasis on fleet commonality permits aircraft operators to realise significant cost savings in crew training, spare parts, maintenance and aircraft scheduling. The extent of cockpit commonality within and across families of aircraft is a unique feature of Airbus that, in management's opinion, constitutes a sustainable competitive advantage.

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

**A220 Family.** Complementing the A320 Family, the A220-100 and A220-300 models cover the segment between 100 and 150 seats and offer a highly comfortable five-abreast cabin. With the most advanced aerodynamics, CFRP materials, high-bypass engines and fly-by-wire controls, the A220 delivers 20 percent lower fuel burn per seat compared with previous generation aircraft. The type will serve a worldwide market for smaller single-aisle airliners, estimated at least at 7,000 such aircraft over the next 20 years. Airbus manufactures, markets and supports A220 aircraft under the "C Series Aircraft Limited Partnership" (CSALP) agreement, finalised in 2018.

## A220 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Range (km)	Length (metres)	Wingspan (metres)
A220-100	2016	116	2,950	35.0	35.1
A220-300	2016	141	3,200	38.7	35.1

(1) Two-class layout.

**A320 Family.** With more than 15,000 aircraft sold, and nearly 8,700 delivered, the Airbus family of single-aisle aircraft, based on the A320, includes the A319 and A321 derivatives, as well as the corporate jet family (including new members ACJ319neo and ACJ320neo). Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy six-abreast passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a modern structural material selection. The A320 Family's competitor is the Boeing 737 series.

To ensure this market leader keeps its competitive edge, Airbus continues to invest in improvements across the product line, including development of the A320neo Family. The A320neo incorporates many innovations including latest generation engines, Sharklet wing-tip devices and cabin improvements, which together will deliver up to 20% in fuel savings compared with earlier A320 family aircraft. The A320neo received joint Type Certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in November 2015. The A320neo with Pratt & Whitney engines was the first variant in the Neo Family to receive Type Certification. The A320neo with CFM engines was certified in May 2016. The A321neo

with Pratt & Whitney engines received Joint Type Certification in December 2016 and with CFM engines in March 2017. Type Certification for the A319neo with CFM engines was achieved in December 2018 with the variant with the Pratt & Whitney engine to follow.

The A320neo Family versions have over 95% airframe commonality with the A320ceo (current engine option) versions, enabling them to fit seamlessly into existing A320 Family fleets – a key factor for Airbus customers and operators.

Since its launch in December 2010, the A320neo Family has received 6,526 firm orders from 104 customers, with a total of 635 aircraft delivered to the end of 2018. A320neo deliveries commenced in February 2016 followed by the first A321neo in April 2017 and in November 2018 the first A321 LR. Overall, the A320 family retains a 56% share of the backlog against the Boeing 737 Family.

During 2018, Airbus received 577 gross orders for the A320 Family of aircraft and 541 net orders.

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

## A320 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Range (km)	Length (metres)	Wingspan (metres)
A318	2003	107	5,750	31.4	34.1
A319	1996	124	6,950 <sup>(2)</sup>	33.8	35.8
A320	1988	150	6,100 <sup>(2)</sup>	37.6	35.8 <sup>(3)</sup>
A321	1994	185	5,950 <sup>(2)</sup>	44.5	35.8 <sup>(3)</sup>
A319neo		140	6,950	33.8	35.8
A320neo	2016	165	6,500	37.6	35.8
A321neo	2017	206	7,400	44.5	35.8

(1) Two-class layout.

(2) Range with sharklets.

(3) Wingspan with sharklets.

**A330 Family.** With 1,734 aircraft sold (of which 238 A330neo) and 1,439 delivered, the A330 Family covers all market segments with one twin-engine aircraft type and is designed to carry between 247 and 287 passengers. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The newest evolution to the A330 Family is the A330neo (new engine option), comprising the A330-800neo and A330-900neo versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines and enhanced aerodynamics for improved fuel efficiency. The first flight took place in October 2017 and both Type Certification and first delivery were achieved in 2018, with TAP taking delivery of its first three A330-900s during the year. The final assembly of the A330-800 started in November 2017 and the aircraft performed its first flight on 6 November 2018.



Airbus is continuously developing the A330 Family to keep the aircraft at the leading edge of innovations and future versions of the A330neo will offer increased take-off weight of up to 251 tonnes, offering a 15,000 km range for the A330-800.

In 2018, Airbus received 37 gross orders (27 net) for the A330 Family of aircraft including 18 for the A330neo, and delivered 49 aircraft to customers.

#### A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A330-200	1998	247	13,450	58.8	60.3
A330-300	1994	277	11,750	63.7	60.3
A330-800neo		257	13,900	58.8	64
A330-900neo	2018	287	12,130	63.7	64

(1) Three-class configuration.

**A350 XWB Family.** The A350 XWB is an all-new family of wide-body aircraft, designed to accommodate between 325 and 366 passengers. The A350 XWB features a wider fuselage than that of competing new generation aircraft, Rolls-Royce Trent XWB engines, A380 technology and over 50% composite material. The A350 XWB's main competitors are the Boeing 787 and 777 aircraft series.

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

The first A350-900 ULR was delivered in September 2018 to Singapore Airlines.

Airbus has also developed the larger A350-1000, which is now certified by EASA and the FAA and was delivered to its first customer in February 2018 with a total of 14 aircraft delivered during the year.

In 2018, Airbus received 62 gross orders for the A350 XWB Family (40 net), and delivered 93 aircraft, achieving the target rate of 10 aircraft per month by the end of the year.

#### A350 XWB FAMILY TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A350-900	2014	325	15,000	66.8	64.8
A350-1000	2018	366	15,557	73.8	64.8

(1) Three-class layout.

**A380.** The double-deck A380 is the world's largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Carrying 575 passengers in a comfortable four-class configuration and with a range of 8,000 nm / 14,800 km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380's competitor is the Boeing 747-8.

In 2018, Airbus Commercial Aircraft delivered 12 aircraft.

In February 2019, following a review of its operations, and in light of developments in aircraft and engine technologies, Emirates reduced its A380 orderbook from 162 to 123 aircraft. Emirates will take delivery of 14 further A380s over the next two years. As a consequence and given the lack of order backlog with other airlines, Airbus will cease deliveries of the A380 in 2021.

#### A380 TECHNICAL FEATURES

Model	Entry-into-service	Passenger capacity <sup>(1)</sup>	Maximum range (km)	Length (metres)	Wingspan (metres)
A380-800	2007	575	14,800	72.7	79.8

(1) Four-class layout.

#### Customer Services

Airbus seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers' evolving needs. As a result, Airbus has developed a wide range of customer centric and value-added services. This approach provides Airbus operators with solutions to significantly reduce their operating costs, increase aircraft availability, enhance the quality of their operations and passenger experience.

Customer Services' primary role is to support its customers in operating their Airbus fleet safely and profitably and to the satisfaction of passengers all around the world. As a result of its continued growth, Airbus' customer base has increased consistently over the past years reaching more than 10,700 aircraft in operation by the end of 2018 operated by more than 430 operators. The fleet is maintained by more than 100 Maintenance and Repair Organisations and partially owned by 100 leasing companies.

A worldwide network of more than 6,500 people cover all areas of support from technical engineering / operational assistance and spare parts supply to crew and maintenance training. Hundreds of technical specialists provide Airbus customers with advice and assistance 24 hours a day, 7 days a week. There are 142 field service stations available worldwide for on-site assistance to our operators, covering 159 operators. 216 operators are covered by 16 Hubs. Airbus worldwide support is also based on an international network of support centres, training centres and spares warehouses.

As the worldwide fleet is growing, so is the demand in the services market. Airbus offers optimised aircraft operational availability, streamlined flight operations and enhanced passenger experience by covering the full aircraft lifecycle and focusing on adding value to its customers. Growing fast on the market with organic growth, JVs, co-developments and acquisitions in recent years, here are some examples:

- in 2016, full acquisition of Navtech, now re-named Navblue, offering products in the Flight Operations area;
- in 2017, full acquisition of Sepang Aircraft Engineering (SAE), an MRO centre based in Kuala Lumpur, Malaysia, that had been partially owned by Airbus since 2011;
- launch of Airbus Interiors Services (2017) specialised in timely and flexible solutions for cabin equipments. For its first participation in the Crystal Cabin Award 2018, Airbus Interiors Services was among the finalists of the "Visionary Concepts" category, presenting its novel "Day & Night" concept seat;
- the Airbus MRO alliance was launched in 2017;
- the Airbus Training network has tripled in the last three years and currently counts 17 training network locations around the world, the latest acquisition being a flight training center in Denver, Colorado (January 2018). In December 2018, Airbus and the French Civil Aviation University, ENAC, have obtained EASA certification for a co-developed Ab initio Pilot Cadet Training Programme that will be used by a worldwide network of partner flight schools, starting with the first customer Escuela de Aviacion Mexico (EAM) in Mexico City early 2019;
- Airbus' worldwide support is also based on an international network of support centres, training centres and spares warehouses all around the world, offering customers the solutions they need close to their operational base. To ensure this proximity Airbus empowered local teams and developed hubs in the regions, most recently in Asia and China;
- since the launch of Skywise at Le Bourget in 2017, Airbus has accelerated with its digital transformation. In October 2018, Airbus created the Skywise campus – "a place to foster internal and external collaboration" – and developing new ways of working, with customers at the heart of each service, to offer the best value proposition across the full lifecycle, securing and optimising their operations end-to-end, providing tailored solutions that deliver impactful outcomes and enhancing the user's experience all along the way.

Skywise brings all the ecosystem data to a single platform. 52 customers have now chosen Skywise, representing a potential of over 4,000 aircraft connected.

Leveraging on Skywise digital capabilities, Airbus' Customer Services portfolio offer is evolving to provide the best and most efficient solutions available on the market:

- FHS powered by Skywise: stepping-up services capabilities with digital Skywise (April 2018);
- launch of Skywise Reliability Services (October 2018);
- launch of Skywise Predictive Maintenance (October 2018).

Preparing the future of Airbus Services, at the Farnborough 2018 Air show Airbus presented its route to US\$ 10 billion revenues in the next decade, to further address market needs.

### **Customer Finance**

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

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

In 2018, Airbus continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities, supported by a high level of liquidity available in the market at good rates for Airbus aircraft. Airbus customer financing exposure remained limited in 2018 and decreased compared to 2017. Airbus will continue to provide direct aircraft financing support as it deems necessary. Management believes, in light of its experience, that the level of provisioning protecting Airbus from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See "— Risk Factors – Financial Market Risks – Sales Financing Arrangements".

### **Asset Management**

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

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

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

At the end of 2018, the Asset Management portfolio contained 15 aircraft, representing a 44% net portfolio reduction from 2017.

## Production

### Industrial Organisation

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

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

Following production by the respective plants, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means, such as the "Beluga" Super Transporters.

Programme management is then responsible for the final assembly line activities. The programme management works closely with the plants to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

In 2018, construction started on the new FAL in Mobile, Alabama (US) for the A220. The first A220 delivery from Mobile is expected in mid-2020.

Airbus announced the following programme production rates:

- A220 family: by next mid-decade, rate 10 per month targeted in Mirabel and rate 4 per month targeted in Mobile;
- A320 family: rate 60 per month targeted by mid 2019 with a 4<sup>th</sup> A320 line in Hamburg, Mobile fully on schedule and Tianjin (China) ramping- up further;
- A350: rate 10 reached at the end of 2018;
- A380: Airbus expects to deliver 8 aircraft in 2019, 7 in 2020 and the remaining 2 in 2021.

### Engineering

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

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

Research & Technology activities continue to deliver incremental innovations for existing aircraft, matured breakthrough technologies, with reinforced focus on industrial aspects. Airbus Engineering is a major contributor to numerous international initiatives dedicated to the preservation of the environment and the reduction of noise and CO<sub>2</sub> emissions. Fully integrated change projects are also implemented to continuously implement innovative and efficient ways of working.

## Regional Aircraft, Aerostructures, Seats and Aircraft Conversion

### ATR

ATR (*Avions de Transport Régional*) is a world leader in the market for regional aircraft up to 90 seats. Its aircraft are currently operated by more than 200 airlines in over 100 countries. ATR is an equal partnership between Airbus and Leonardo, with Airbus' 50% share managed by Airbus. Headquartered in Toulouse, ATR employs more than 1,400 people. Since the start of the programme in 1981, ATR has registered net orders for 1,717 aircraft (483 ATR 42s and 1,234 ATR 72s).

In 2018, ATR delivered 76 new aircraft (compared to 78 in 2017) and recorded net firm orders for 46 new aircraft (compared to 103 in 2017), including orders from NAC/Silver. As of 31 December 2018, ATR had a backlog of 205 aircraft (compared to 235 in 2017).

### Products and Services

**ATR 42 and ATR 72.** ATR has developed a family of high-wing, twin turboprop aircraft in the 30- to 78-seat market which comprises the ATR 42 and ATR 72, designed for optimal efficiency, operational flexibility and comfort. Like Airbus, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and cross-crew qualification. ATR is now entering the cargo market as 2018 is the year of the launch of the ATR72/F (Freighter) with a brand new windowless fuselage, a forward Large Cargo Door (LCD) and a rear upper hinged cargo door. First delivery is planned in 2020 to FedEx.

By the end of 2018, ATR had delivered 1,512 aircraft.

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

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

### Production

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

## STELIA Aerospace

STELIA Aerospace is a wholly-owned subsidiary of Airbus. It offers global solutions for aeronautical manufacturers and airlines supported by its aerostructure, cabin interior and pilot seats business lines.

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

From aircraft wings and fuselage sections, to fully equipped and tested work packages, STELIA Aerospace is a global partner for major aeronautical players worldwide, such as Airbus, ATR, or Bombardier Aerospace.

With more than 7,000 employees worldwide, working within 11 Centres of Excellence based in France, Canada, Morocco and Tunisia, STELIA Aerospace has a wide range of capabilities, from Build-to-Print to Design & Build solutions, including mechanical milling of rolled and stretched panels and tubes & pipes covering all ATA systems.

Through its cabin interior specialty, STELIA Aerospace designs and manufactures luxury First Class and Business Seats for key partners in the world including Etihad Airways, Singapore Airlines or Thai Airways.

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

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

As part of its development strategy, STELIA Aerospace has taken a majority stake in Portalliance Engineering end of 2018. Portalliance Engineering is an SME founded in 2006 and focuses on modelisation and digital simulation of structural calculation. This acquisition will enable STELIA Aerospace to benefit sustainably from innovative digital solutions and strengthen its position on the aerostructure market.

### Premium AEROTEC

Premium AEROTEC is a wholly owned subsidiary of the Company (consolidated within Airbus), is one of the world's leading tier-1 suppliers of commercial and military aircraft

structures and is a partner in the major European international aerospace programmes.

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

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

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

### Elbe Flugzeugwerke GmbH – EFW

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

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

## 1.1.3 Helicopters

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

### Strategy

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

### A Commitment to Innovation

Development of the next-generation H160 medium helicopter – the first of the "H Generation" – is ongoing at a steady pace.



Flight-test activities were carried out throughout 2018. The three H160 prototypes have already accumulated over a 1,000 flight hours in the final steps of the flight test campaign. The first serial H160 has performed its first flight on 14 December 2018. In 2018, products and services continued to be enhanced, with several initiatives such as the first H175 Public Services version delivered in July 2018.

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

A first unmanned flight took place at the end of 2018.

Airbus Helicopters is also actively involved into the Urban Air Mobility (UAM) via several commercial and military projects:

- CityAirbus project, which is an electrically operated platform concept for multiple passengers;
- as part of Clean Sky 2 European Research programme, Airbus Helicopters has unveiled at the Le Bourget airshow the aerodynamic configuration of the high speed demonstrator codenamed Racer. This demonstrator will incorporate a host of innovative features and will be optimised for a cruise speed of more than 400 km/h.

### Focusing on Customers

Airbus Helicopters achieved the second wave of its transformation plan in 2018 by further enhancing customer support and services, with safety as the top priority. This is underscored by indicators like increasing fleet availability for customers and operators, or improved On Time Delivery rates for spare parts.

The transformation, which began five years ago, continues to yield results in various areas, with the objective of responding fully to customers' requirements and over-achieve market standards in terms of quality, safety, customer satisfaction and competitiveness. This transformation is and remains based on fundamental requirements: quality and safety, leadership, digital and competitiveness.

### Delivering Safety

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

Following a H225 Super Puma helicopter accident on 29 April 2016 in Norway, a final AIBN report was published and closed the investigations. The accident was the result of a fatigue fracture in a second stage planet gear in the epicyclic module of the main rotor gearbox.

- Neither aviation authorities nor industry had ever seen the type of failure mode that lead to this accident.
- Extensive analysis of the accident has led to the development of a set of safety measures, approved by global aviation authorities, which have allowed the H225 fleet to resume worldwide.

Subsequently, Airbus Helicopters has reviewed and applied new safety measures to its product range. Furthermore, design changes have been introduced on the Super Puma and Dauphin family of helicopters.

### Market Drivers

According to market forecasts produced by Airbus Helicopters, around 22,000 civil helicopters and 14,000 military helicopters are expected to be built globally over the next 20 years. This forecast, particularly with respect to the military sector, relies to a large extent on large US development programmes. Overall, the global helicopter market is still evolving in a difficult environment, despite improved economic indicators in 2018.

Helicopters sold in the civil and parapublic sector, where Airbus Helicopters is a leader, provide transport for private owners and corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Thanks to its existing mission segment diversity, the helicopter market (both Platforms and Services activities) is expected to be resilient through the coming decade, even though one of the key segments, Oil & Gas (in value), continues to experience challenging conditions. Airbus Helicopters expects market softness to continue in the short term but believes that the demand over the next 20 years will be driven by large replacement needs from advanced economies and by growth from emerging countries (especially in Asia still largely under equipped). Airbus Helicopters' market data indicates that in 2018, worldwide deliveries of civil and parapublic turbine helicopters of five seats and above stood at ~510 units. Demand for military helicopters and related services is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Airbus Helicopters believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the ongoing introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement in the medium term. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and may be limited, due to budgetary constraints on public spending in some regions like Western Europe and Middle East, while other regions like Asia Pacific or Eastern Europe are expected to continue to grow. Despite recent threats and a growing geopolitical instability, which has accelerated military spending and a reassessment of defence budgets, the military market is still low in 2018. Economic difficulties (*i.e.* low commodities prices), saturation of the Western countries markets as well as postponement of significant military campaigns have resulted in a decrease for all mission segments. According to Airbus Helicopters' market data, worldwide deliveries of military turbine helicopters have decreased at ~620 units in 2018.

### Competition

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

The civil and parapublic sector has seen more local competitors in recent years (China, India, Japan, South Korea, Turkey). Airbus Helicopters has maintained its leading market share (in bookings

of 2.0t helicopters and five seats and above), in a low market, with ~52% in unit in 2018, followed by Leonardo and Bell with respectively 26% and 13%.

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

The military sector is highly competitive and is characterised by major restrictions on foreign manufacturers' access to the domestic defence bidding process (*i.e.* USA, China, Russia). Thanks to several major contracts (*i.e.* H145M/Lakota and NH90), Airbus Helicopters increased its market share on this sector (in units) from 9% in 2017 to 25% in 2018. The Company will continue to focus on large military campaigns in 2019.

## Products and Services

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

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

Helicopter Type	Primary Missions
<b>Single Engine ("Ecoureuil" family)</b>	
H125 "Ecoureuil" / H125M "Fennec"	Public Services <sup>(1)</sup> , Military Utility <sup>(2)</sup> & Armed Reconnaissance, Corporate / Private, Commercial Pax Transport & Aerial Work
H130	Commercial Pax Transport & Multipurpose, Emergency Medical, Tourism, Corporate / Private
<b>Light Twin Engine</b>	
H135 / H135M	VIP, Military Utility & Armed Reconnaissance, Emergency Medical, Public Services <sup>(1)</sup>
H145 / LUH (UH-72) / H145M	VIP, Military Utility <sup>(2)</sup> , Emergency Medical, Public Services <sup>(1)</sup>
<b>Medium ("Dauphin" family)</b>	
AS365 "Dauphin" / AS565 "Panther"	Military Naval Warfare Mission & Maritime Security, Public Services <sup>(1)</sup> (in particular Coast Guard & SAR), Oil & Gas, Commercial Pax Transport & Multipurpose
H155	Corporate / Private, VIP, Oil & Gas, Public Services <sup>(1)</sup>
H160	Corporate / Private, VIP, Oil & Gas, Public Services <sup>(1)</sup>
H175	Corporate / Private, VIP, SAR, Emergency Medical, Public Services <sup>(1)</sup> , Oil & Gas
<b>Medium-Heavy</b>	
H215 "Super Puma" / H215M "Cougar"	Civil Utility, Military Transport / SAR, Oil & Gas
H225 / H225M	SAR, Combat-SAR, Military Transport, Oil & Gas, VIP, Public Services <sup>(1)</sup>
NH90 (TTH / NFH)	SAR, Military Transport, Naval
<b>Attack</b>	
Tiger	Combat, Armed Reconnaissance / Escort

(1) Public Services includes homeland security, law enforcement, fire-fighting, border patrol, coast guard and public agency emergency medical services.

(2) Civil Utility includes different kinds of commercial activities such as aerial works, electrical new gathering (ENG), passenger and cargo transport.

## Civil Range

Airbus Helicopters' civil range includes single-engine, light twin-engine, medium and medium-heavy helicopters, which are adaptable to all mission types based on customer needs. To maintain and strengthen its competitive edge in the civil sector, Airbus Helicopters is maintaining R&D investments including:

- certification of the H160, which realised its first serial flight in December 2018;
- improvement of the existing range in the field of performances and safety in order to meet customer's requirements;

## Customers

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

With 54% of the worldwide market share-based on deliveries in 2018, the versatility and reliability of Airbus Helicopters products have made them the preferred choice of the most prominent civil and parapublic customers (turbine helicopters of five seats and above).

- preparing the future H generation with major upgrades and new products pursuing a fast-paced product range renewal.

## Military Range

Airbus Helicopters' military range comprises platforms derived from its commercial range (such as the H145M and H225M respectively derived from the H145 and H225) as well as purely military platforms developed for armed forces (the NH90 and the Tiger).

Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Airbus Helicopters, Leonardo of Italy and Fokker Services of the Netherlands as joint partners in NATO Helicopter Industries ("NHI") in direct proportion to their countries' expressed procurement commitments. Airbus Helicopters' share of NHI is 62.5%. There were 36 NH90 deliveries in 2018, for a cumulative total of 381 deliveries as of the end of 2018. The NH90 fleet has accumulated ~187,000 flight hours.

The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile); the UHT (antitank missile, air-to-air missile, axial gun and rockets); the ARH (antitank missile, turreted gun and rockets); and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines) Overall in 2018, 9 Tigers were delivered, for a cumulative total of 180 deliveries by year-end. The Tiger fleet has accumulated more than 122,000 flight hours.

Airbus is also a major contractor to the US Army, having been chosen to supply the service's UH-72A Lakota helicopter. As of 1 January 2019, 442 aircraft had been delivered to the US Department of Defense for operation by US Army and Army National Guard units, the Navy and foreign military sales buyers.

### Customer Services

With more than 3,000 operators in over 150 countries, Airbus Helicopters has a large fleet of some 12,000 in-service rotorcraft to support. As a result, customer service activities to support

this large fleet generated 38% of Airbus Helicopters' revenues for 2018 (in 2017 it would have been 37% without Vector)

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

### Production

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

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

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

Part of the transformation and its competitiveness branch is to optimise its production footprint, especially in term of production by creating some centers of excellence and avoid duplication of work.

## 1.1.4 Defence and Space

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

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

- Military Aircraft designs, develops, delivers and supports military aircraft. It is the leading fixed-wing military aircraft centre in Europe, and one of the market leaders for combat, mission, transport and tanker aircraft worldwide. Key products include the Eurofighter Typhoon, the A400M, the A330 Multi Role Tanker Transport ("MRTT") and the C295;
- Space Systems covers a broad range of civil and military space applications. Its satellite solutions for telecommunications, earth observation, navigation and science include spacecraft, ground segments and payloads for institutional customers as well as the export market, for the latter as recognised world

leader. It also manufactures orbital and space exploration systems. Space transportation capabilities (comprising launchers and services) are offered via ArianeGroup, a 50/50 joint venture between Airbus and Safran;

- Communications, Intelligence & Security ("CIS") includes five main business clusters: Secure Communications, Intelligence, Cyber Security, Security Solutions and Secure Land Communications. These clusters develop specific solutions for customers ranging from governments to small companies and commercial enterprises. In addition, CIS houses a dedicated unit for developing future applications for commercial markets, leveraging Airbus Defence and Space innovations, products and capabilities;
- Unmanned Aerial Systems ("UAS") develops, delivers and operates UAS and UAV solutions for airborne intelligence, surveillance, reconnaissance, and combat missions. The commercial part of the UAS Programme Line, Airbus Aerial, delivers actionable data for different vertical markets, connectivity and cargo delivery services – fitting customer needs.

## Strategy

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

Airbus Defence and Space is applying its growth strategy along three domains:

- **Defence:** Airbus Defence and Space is leveraging momentum in Franco-German cooperation and pursuing new European programme opportunities as it works to deliver its vision for Future Air Power. Key opportunities include Future Combat Air System, European Medium-Altitude Long-Endurance ("MALE"), Maritime Airborne Warfare System, special mission aircraft, and space situational awareness initiatives, among others. The Division is concurrently working to shape and address future secure, upgradeable, and dynamic network and Command and Control architecture requirements while continuing to evolve existing platforms and capabilities (e.g., Eurofighter Typhoon, A330 MRTT, A400M, C-295, predictive aircraft maintenance) for long-term competitiveness and value to future force structures;
- **Space:** Airbus Defence and Space will retain its leadership position in space within Europe and in the export market and growing above market rate by leveraging competitiveness programmes across all sectors (equipment, satellite, vehicle and infrastructure domains, etc.). In parallel, it is developing end-to-end solutions and accelerating new products and services to strengthen its position across the space value chain. Last but not least, it is working with European Governments and institutions to ensure long-term competitiveness of the entire European space industrial base;
- **Digital Services and Secure Connectivity:** Digital transformation and digital platforms will be a key enabler to unlocking greater value from our portfolio while providing new data-driven services and business models. The division will provide imagery intelligence, aircraft in-service support, and other services while also striving to be a leader in end-to-end secure connectivity across satellite, terrestrial, maritime, and airborne network and communication domains.

Globally, the Division intends to leverage its existing products and services, innovate new offerings, and strike selected strategic partnerships in order to strengthen its position in the US and other international markets.

## Market

Airbus Defence and Space is mainly active in public and para-public markets. As a general trend, defence budgets in Europe are expected to continue to grow, triggered by geopolitical tensions, heightened security risks and reinforced by recent discussions on NATO defence spending target of 2% of GDP. In addition, the implementation of the European Defence Action Plan of November 2016 was bolstered by the joint declaration published in July 2017 by the French and German governments outlining the intention to strengthen European defence, then by the agreement in 2018 to develop jointly the Future Combat Air System ("FCAS"), the European

MALE drone and the Future Maritime Airborne Warfare Systems. Together, these may provide new sales opportunities through members' collaborative procurement mechanisms. Market access outside the home countries may be subject to restrictions or preconditions such as national content or local industrial participation. Nevertheless, Airbus Defence and Space, in conjunction with Airbus, is well-placed to benefit from growth in defence expenditure. The upward outlook for defence spending may continue to drive M&A activity in the industry as has been the case since 2017. The market may be influenced in the short-term by a potential softening of the global economy and Brexit.

## Military Aircraft

### Customers

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

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

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

### Competitors

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

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

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



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

### Market Trends

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

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

The agreement signed between France and Germany in April 2018 to jointly develop and procure the FCAS and the Future Maritime Airborne Warfare System will also contribute to safeguarding critically-needed European defence capabilities in the future.

### Space Systems

#### Public Sector: Satellites, Space Infrastructure, Launchers, Deterrence

In the public market for earth observation, science / exploration and navigation satellites, competition in Europe is organised on a national and multinational level, primarily through the European Space Agency (ESA), the European Commission (EC) and national space agencies. Space Systems, through its Programme Unit Earth Observation, Navigation and Science, is a major actor in these respective segments and the recognised European leader on ESA science programmes.

Decisions at the latest ESA Ministerial Conferences and under EC Horizon 2020 paved the way for future European programmes in which Airbus Defence and Space does or may seek to participate. There is also important export demand for earth observation systems, of which the Company is the world's leading provider. The export market is expected to continue growing over the medium-term driven by the demand coming from new governmental operators on top of the replacement of existing assets.

On the military customer side, demand for telecommunication and observation satellites has increased in recent years.

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

The orbital infrastructure segment comprises manned and unmanned space systems mainly used for space exploration, *i.e.* scientific missions. Demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular from ESA, NASA, Roscosmos (Russia) and JAXA (Japan). Such systems are typically built in cooperation with international partners. Continuing support to the operations of the International Space Station (ISS), together with vehicle and equipment development programmes and services such as the Service Module for NASA's Orion spacecraft, constitutes

the predominant field of activity in this segment, and Airbus Defence and Space leads the European contribution on industrial level as prime contractor. As the future exploration plans of the various national space agencies take shape with a growing focus on a sustainable return to the Moon, Airbus Defence and Space is well-positioned to take a leading role in providing vehicles, platforms and services to support these ambitious endeavours.

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

#### Commercial Sector: Telecommunications Satellites, Launch Services

The commercial telecommunication satellite market is highly competitive, with customer decisions primarily based on price, technical expertise and track record. The main competitors for telecommunications satellites are Boeing, Lockheed Martin, MAXAR and Northrop Grumman in the US, Thales Alenia Space in France and Italy, Information Satellite Systems Reshetnev in Russia, and CASC in China. The market for commercial geostationary telecommunications satellites has experienced a down turn since 2017 and is expected to gradually recover in the mid-term. In parallel, the demand for large constellations of smaller telecom satellites in Low Earth Orbit has increased dramatically in the last few years.

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

In 2015, Airbus Defence and Space announced the creation of OneWeb Satellites JV, an equally owned company with OneWeb that designs and builds satellites for the OneWeb constellation programme. The satellite constellation aims to provide competitive global internet access. This participation is entrepreneurial in nature and is meant to drive innovation in a new space market – an area that is set to expand dramatically in coming years. In 2017, OneWeb Satellites JV broke ground on the world's first state of the art high-volume satellite manufacturing facility in Exploration Park, Florida, and inaugurated its serial production line for the assembly, integration, and test of OneWeb's first satellites in Toulouse. In 2018, design of the pilot satellites was completed. The launch of the first satellites in 2019 will allow validation of the design.

#### Communications, Intelligence & Security

The CIS Programme Line brings together the growing, but increasingly competitive market for satellite and terrestrial communication, intelligence and security services and solutions. CIS serves a common customer base which includes governments, defence institutions, security and public

safety agencies, and increasingly commercial sectors such as transportation (maritime, aviation, road), energy (oil, gas, electricity), mining and agriculture.

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

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

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

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

Combining our heritage in the defence domain and expertise in maritime safety and security systems, Security Solutions answers manifold operational needs in security and critical infrastructure protection by providing adaptable solutions and services needed to achieve everyday missions. As a world-leading system integrator for border security, maritime surveillance, critical national infrastructure protection and site security services, Security Solutions' aim is to build on these assets in operation, thereby fulfilling the requirements of the security market today and in the future with the latest technology and most attractive service packages.

Secure Land Communications offers communication and collaboration solutions with the highest standards of security and reliability. These include voice, messaging and multimedia sharing solutions based on Tetra, Tetrapol and 4G / 5G technologies tailored to the needs of professionals from Public Safety and Transport, Utility and Industry (TUI). As the European leader and a key international player, Secure Land Communications has customers in more than 80 countries.

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

CIS focuses on public customers such as armed forces for government satellite communications - an area characterised by long-term relationships with customers. Whereas budget pressures on public expenditure are high in Europe, investment into the services and solutions offered by CIS is likely to continue in the face of new global security threats, a re-emphasis on defence and security and the growth in demand for digital

services. CIS has the objective to develop and scale digital services, e.g. new services based on data generated by existing Airbus Defence and Space products, to generate significant revenues.

## Unmanned Aerial Systems

### Customers

Unmanned Aerial Systems could lead to diversification into services-driven markets. It is also a sector in which Europe has a strong need for investment, which could set the stage for new cooperation programmes. France, Germany, Italy and Spain have signaled their intention to cooperate on a medium altitude, long endurance UAS and Airbus Defence and Space and its partners finalised the two-year definition study of the system end of 2018.

### Competitors

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

### Market Trends

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

## Products and Services

### Military Aircraft

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

A total of 174 aircraft have been ordered so far by the seven launch customer nations Belgium, France, Germany, Luxembourg, Spain, Turkey, the UK and one export customer, Malaysia. Type Certificate and Initial Operating Clearance have been achieved in 2013. Since then, 74 units have been delivered to six nations by the end of 2018. The A400M is already deployed operationally since 2014 and military capability is expected to grow over time.

**Multi-role tanker transport – A330 MRTT.** The A330 MRTT, a derivative of the Airbus A330 family, offers military strategic air transport as well as air-to-air refueling capabilities. Its large tank capacity is sufficient to supply the required fuel quantities without the need for any auxiliary tanks. This allows the entire cargo bay to be available for freight, with the possibility of incorporating standard LD3 or LD6 containers, military pallets and/or any other type of load device in use today, as well as the full cabin available for personnel transport. The A330 MRTT is

equipped with state of the art refueling systems, including an Aerial Refueling Boom System (ARBS) and under-wing refueling pods. At the end of 2018, the A330 MRTT programme has a total of 60 aircraft firm orders by eight customers (twelve countries (seven through direct acquisition, five through pooling acquisition in the frame of the MMF (Multinational MRTT Fleet) programme)), of which 35 already delivered and in service in seven nations.

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

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

At the end of 2018, a total of 623 Eurofighter Typhoon aircraft had been ordered by nine customers (UK, Germany, Italy, Spain, Austria, Saudi Arabia, Oman, Kuwait, and Qatar), with a total of 557 aircraft delivered. Export opportunities are being actively developed together with the other shareholders of the Eurofighter consortium.

**C295 – Light and Medium military transport/mission aircraft.** The C295 is the work horse of tactical military transport, conducting logistical missions including the transport and delivery of personnel and cargo as well as medical evacuations. The aircraft are deployed in demanding environments (meteorological conditions, operational complexity, etc.), such as peacekeeping on the Sinai Peninsula. The aircraft are offered in varied versions and configurations beyond the traditional airlifter version, for example maritime patrol and anti-submarine warfare, airborne early warning and control, firefighting and intelligence surveillance reconnaissance (ISR), etc. In over 30 years in service, this family of aircraft has proven to be robust, reliable, high-performing, efficient, flexible, easy to operate in any environment, and at low operating costs. 492 orders had been recorded for both CN235 and C295 types together at the end of 2018.

**Customer Services.** Airbus Defence and Space offers and provides various services for and related to military aircraft. Throughout the life-time of our aircraft, Military Aircraft Services includes integrated logistics support, in-service support, maintenance, upgrades, training or flight hour service. For example, the A330 MRTT contract with the UK Ministry of Defence through the AirTanker consortium includes alongside 14 aircraft the provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refueling and transport missions worldwide. Customer services go beyond the fleet of aircraft currently in production at Airbus

Defence and Space, conducting upgrade programmes for aircraft such as the Tornado and P-3 Orion. Airbus Defence and Space maintains a network of Maintenance, Repair and Overhaul centers strategically located throughout the world for greater proximity to the customer, for example in Seville or Manching in Europe, in Mobile, Alabama (US) or at subsidiaries in Saudi Arabia or Oman.

## Space Systems

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

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

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

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

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

**Telecommunication satellites.** Airbus Defence and Space produces telecommunication satellites used for both civil and military applications, such as television and radio broadcasting, fixed and mobile communication services and Internet broadband access. Current Airbus Defence and Space geostationary telecommunication satellites are based on the Eurostar family of platform, including all-electric variant. In 2018, Airbus Defence and Space was selected by Eutelsat to build the HotBird new generation satellites, two sophisticated telecom satellites based on Eurostar Neo platform, the new flagship product for

Airbus Telecom Geo Satellites. Airbus Defence and Space also develops the Eutelsat Quantum telecommunication satellite, the first satellite that can be fully reconfigured in orbit through its flexible antennae and repeater. Through its contract with OneWeb to design and produce small telecommunication satellites for a constellation in Low Earth Orbit, Airbus Defence and Space is spearheading the industrial and commercial development of very large satellite constellations.

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

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

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

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

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

## Communications, Intelligence & Security

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

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

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

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

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

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

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

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



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

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

**Secure Land Communications.** Airbus Defence and Space offers advanced communication and collaboration solutions enabling its customers to gather process and deploy intelligence. Its portfolio is tailored to the needs of professionals from Public Safety and Transport, Utility and Industry (TUI). It includes infrastructures, devices, applications and services based on Tetra, Tetrapol and Broadband technologies. As the European leader and a key international player, Secure Land Communications has customers in more than 80 countries.

### Unmanned Aerial Systems

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

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

### Production

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

### MBDA

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

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

### ArianeGroup

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

## 1.1.5 Investments

### Dassault Aviation

As a result of the implementation of Dassault Aviation's capital increase, which took place on 27 June 2018, at the occasion of which 36,782 shares were issued to remunerate the shareholders who opted for a dividend payment through attribution of shares, the Company holds approximately 9.89%

of Dassault Aviation's share capital and 6.15% of its voting rights. In case of exchange in full of the bonds issued by the Company and which are due in 2021, the Company will no longer hold any of Dassault Aviation shares and voting rights.

## 1.1.6 Insurance

The Company's Insurance Risk Management function ("IRM") is established to proactively and efficiently respond to risks that can be treated by insurance techniques. IRM is responsible for all corporate insurance activities and related protection for the Company and is empowered to deal directly with the insurance and re-insurance markets via the Company's inhouse broker entity Airbus Aéroassurances. IRM's continuous task in 2018 was to further implement and improve efficient and appropriate corporate and project-related insurance solutions.

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

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

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

## 1.1.7 Legal and Arbitration Proceedings

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

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

### WTO

Although the Company is not a party, the Company is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against

the US in relation to its subsidies to Boeing. On 19 December 2014, the European Union requested WTO consultations on the extension until the end of 2040 of subsidies originally granted by the State of Washington to Boeing and other US aerospace firms until 2024.

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

On 23 March 2012, the WTO adopted the Appellate Body's final report in the case brought by the EU assessing funding to Boeing from the US. On 23 September 2012, the US informed the WTO that it had taken appropriate steps to bring its measures fully

into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the EU did not agree, the matter is now under WTO review pursuant to WTO rules.

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

### GPT

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

### Eurofighter Austria

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

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

In the context of review and enhancement of its internal compliance improvement programme, the Company discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for the Company's customers. In early 2016, the Company informed the UK, German and French Export Credit Agencies ("ECAs") of the irregularities it had discovered. The Company made a similar disclosure to the UK Serious Fraud Office ("SFO"). In August 2016, the SFO informed the Company that it had opened an investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus relating to irregularities concerning third party consultants (business partners). In March 2017, France's Parquet National Financier ("PNF") informed the Company that it had also opened a preliminary investigation into the same subject and that the two authorities would act in coordination going forward. The Company is cooperating fully with both authorities including in respect of potential issues across the Company's business. As part of the Company's engagement with the US authorities, the latter have requested information relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company is cooperating with the US authorities in close coordination with the SFO and

PNF. The investigations and any penalties potentially levied as a result could have negative consequences for the Company. The potential imposition of any monetary penalty (and the amount thereof) or other sanction including tax liability arising from the investigations will depend on the ultimate factual and legal findings of the investigation, and could have a material impact on the financial statements, business and operations of the Company. However, at this stage it is too early to determine the likelihood or extent of any such possible consequence. Investigations of this nature could also result in (i) civil claims or claims by shareholders against the Company (ii) adverse consequences on the Company's ability to obtain or continue financing for current or future projects (iii) limitations on the eligibility of group companies for certain public sector contracts and/or (iv) damage to the Company's business or reputation via negative publicity adversely affecting the Company's prospects in the commercial market place.

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

### ECA Financing

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

### Other Investigations

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

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

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



## Other Disputes

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

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

## 1.1.8 Non-Financial Information

### 1.1.8.1 The Company's Approach to Responsibility & Sustainability

#### The Company and its Main Stakeholders

Airbus is an industrial company operating in businesses with long product lifecycles and corresponding returns on investment. There are significant costs and risks in programme development and cyclical markets. These features define the Company and shape its relationships with all stakeholders. For a description of the Company's business model, see "— 1.1.1 Overview".

The Company is engaged in stakeholder dialogue at various levels. The responsibility for stakeholder engagement is decentralised at the Company and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. The Company often seeks a sectorial approach in order to strengthen the impact.

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

- generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability;
- be a provider of choice, offering superior value-for-money products and services to customers;
- engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, the Company 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.

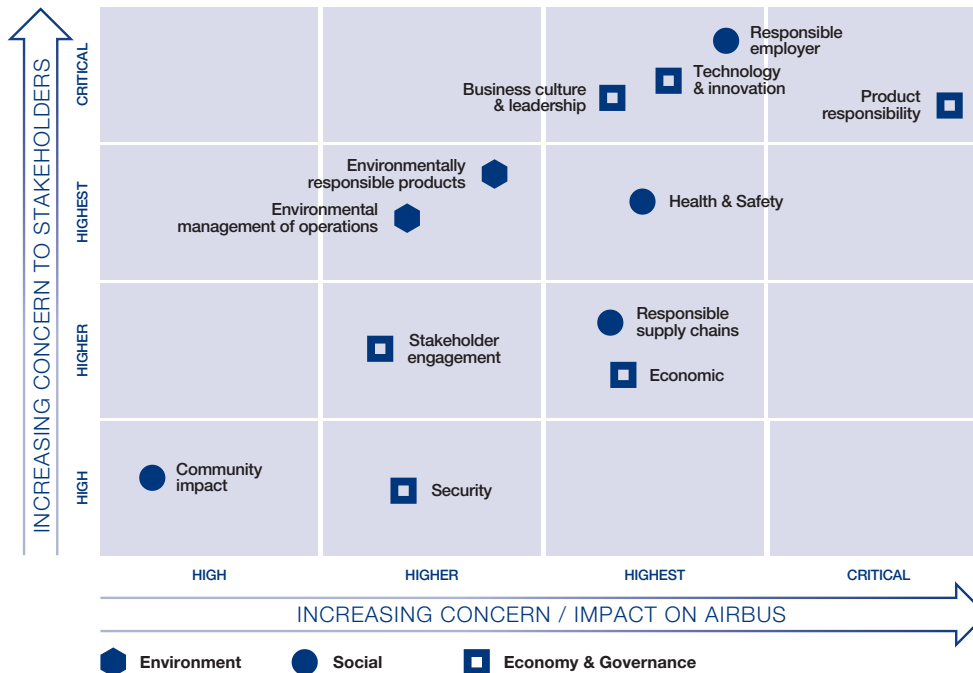
#### Materiality Assessment

In order to prioritise its responsible and sustainable efforts, the Company performed a materiality assessment in 2017. The Company approached a set of stakeholders through qualitative interviews. A list of top issues for the Company was developed, consolidated and ranked by the Company's Responsibility & Sustainability Network. The network gathers a group of experts advising on Airbus' Responsibility & Sustainability ("R&S") strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. It is trans-functional, trans-national and trans-divisional and meets on a regular basis.

You will find these issues covered within the following sections of this chapter:

- Responsible Manufacturer: 1.1.8.2(a) Aviation and Product Safety ("product responsibility" in the matrix), 1.1.8.2(b) Research and Technology ("technology and innovation" in the matrix), 1.1.8.2(c) Environment ("environmentally responsible products" and "environmental management of operations" in the matrix), 1.1.8.2(d) Responsible Defence and Space products ("security" and "product responsibility" in the matrix);
- Responsible Employer: 1.1.8.3(a) Workforce and 1.1.8.3(b) Human Capital Management, Labour Relations and Human Rights ("responsible employer" in the matrix), 1.1.8.3(c) Health and Safety (same in the matrix), 1.1.8.3(d) Inclusion and Diversity ("business culture and leadership" in the matrix);
- Responsible Business: 1.1.8.4(a) Ethical business practices ("business culture and leadership" in the matrix), 1.1.8.4(b) Responsible Suppliers ("responsible supply chains" in the matrix), 1.1.8.4(c) Community Engagement ("community impact" in the matrix).

MATERIALITY MATRIX 2017



**UN Sustainable Development Goals**

Airbus has been a signatory to the UN Global Compact since 2003 and has reached "Advanced Level".

The Company adopted the UN Sustainable Development Goals (SDGs) in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, the Company performed a mapping of its contributions based on its publicly available information which demonstrated that at least eight of the 17 SDG goals are directly relevant to the Company's businesses and stakeholders' feedback confirmed that the Company 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; and
- SDG 17: Partnerships for the goals.

**Airbus Responsibility & Sustainability Charter**

In 2017, the Company has outlined its commitments in its Responsibility & Sustainability Charter ("the Charter"). The Charter demonstrates how Airbus intends to contribute to the requirements and needs of society and how employees will live the Company's six values – respect, customer focus, reliability, creativity, integrity, team work – in their daily work with all stakeholders whether customers, suppliers, partners, shareholders. The Charter is available at [www.airbus.com](http://www.airbus.com). In 2018, the Charter was the subject of a series of internal communication activities.

In 2017, Airbus started to put in place an internal mapping of its contributions to the commitments it made in the Charter and the corresponding SDGs. Airbus has worked on mapping internally and identifying targets or KPIs to assess its overall contributions. The objective is to reach common agreement on one target per commitment contained within the Charter.

**Airbus' Way Forward: Vigilance Plan**

The Company is determined to conduct its business responsibly and with integrity. The Company is convinced that promoting responsible business conduct within our value chain is key to sustainable growth.

As far as its own operations are concerned, the Company has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations, which are fully embedded into the Company's culture and processes. At Airbus, heads of programmes and functions, as well as managing directors of affiliates, supported by respective specialists, shall ensure proper deployment of the Company's policies, management of Enterprise Risk Management ("ERM") in their fields or perimeters as well as duly reporting issues to top management. The Company's approach is thus based on its existing strengths, namely strong management process already established and adopted by employees; empowerment of specialists; industry approach whenever possible.

In 2017, Airbus established a working group composed of specialists representing supplier management, health and safety, environmental affairs, labour rights, ethics and compliance, corporate governance as well as risk managers and representatives from the Company's two Divisions.

One of the tasks of the working group was to perform a risk assessment and define concrete actions in order to ensure continuous monitoring of the entire Company and to mitigate principal risks or prevent serious violations. In 2018, the working group focused on leveraging every opportunity to embed R&S elements throughout the Company and including them into internal processes and tools.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment in 2017. The ERM system was updated to take into account the most significant potential risks related to these areas that the Company may generate as part of its operations. These risks and related action plans are now consolidated and reported to the top management of the Company. For more information on ERM, see “- 4.1.3, Enterprise Risk Management System”. For more information on the Company's risks, see “- Risk Factors”.

To support our commitment to and promotion of a speak-up culture, Airbus created the OpenLine to provide the Company's employees with an avenue for raising concerns in a confidential way. In 2018, the Company decided to extend the scope to responsibility and sustainability related topics. For more information on the OpenLine, see “- 1.1.8.4(a) Ethical Business Practices”.

In addition to the current training catalogue of over 80 e-learning courses on labour relations, diversity, environmental and health and safety matters, as well as R&S and human rights, the Company is working on specific learning programmes for target groups. One programme targeting all the Company's employees worldwide will focus on increasing general awareness on R&S as well as Airbus' commitments as outlined in the Charter. A second programme will be dedicated to risk-exposed populations, such as directors of subsidiaries and buyers, aiming at developing in-depth understanding of legal requirements with regards to environment, health & safety, human rights, labour relations, anti-corruption within the Company's operations and supply chain, and promoting the Company's internal processes to help mitigate potential risks and help prevent violations. The Airbus Leadership University took the lead to embed R&S strategy and commitments into the courses it offers in order to ensure the Company's managers are trained and equipped to instil the right behaviours, foster cultural change and encourage the search for innovative solutions to answer societal challenges. In addition, the Company also provides training to its employees on the Airbus Standards of Business Conduct.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. A corporate directive assists Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus' ongoing commitment to high standards of

corporate governance. In 2018, Airbus, working closely with its two Divisions, approved one single directive on corporate governance for the Company's affiliates, which defines rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. Airbus leveraged this in-depth work to integrate enhanced requirements on labour and human rights, environment, health and safety and procurement matters into the new directive on the basis of related Airbus internal policies including:

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

In 2018, Airbus and its two Divisions each sent their respective affiliates a questionnaire to assess their internal controls including as they relate to the environment, human resources and compliance. Regarding all the above activities, affiliates were asked to confirm that all relevant Airbus policies were accessible to their employees and duly communicated to them and that dedicated training was organised for risk-exposed employees. In 2019, the scope of the questionnaire will evolve to cover topics included in the new Directive, including R&S, and harmonised between Airbus and the two Divisions.

In 2019, affiliates will be asked to evaluate risks via the Airbus ERM system as well as to regularly monitor them as part of their risk assessment process. Airbus endeavours to ensure that the procedures to assess, investigate and manage allegations are well aligned throughout the Company.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate's management. At least once a year the agenda of the board will include an update on ethics and compliance matters (including training, awareness and any other relevant issues).

In order to ensure proper and systematic cascading of R&S-related policies throughout the Company, Airbus' head of Affiliates has joined the R&S Network.

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

A dedicated programme has been launched by the Procurement function in order to monitor Airbus' suppliers. For more information on the programme and its implementation, including the vigilance plan for suppliers, see section 1.1.8.4(b) Responsible Suppliers. For more information on Airbus' approach to the environment, see section 1.1.8.2(c). For more information on Airbus' approach to human rights and health and safety, see sections 1.1.8.3(b) and 1.1.8.3(c).

### 1.1.8.2 Responsible Manufacturer

#### a. Aviation and Product Safety

Airbus recognises the significant trust placed in its products by their operators and passengers, and takes its responsibility for their safety seriously. Whilst the foundations of safety are built on regulatory compliance, Airbus goes beyond airworthiness requirements to also focus on safety enhancement activities in products, services, customer operation, and with international stakeholders, whilst also adapting the organisation to meet evolving conditions.

Whenever safety topics must be discussed, it is done at the appropriate level, including by Airbus' senior executives.

The Product Safety Process (PSP) is Airbus' primary means of responding to what is happening with the 10,000 Airbus aircraft flying today, and of maintaining continued airworthiness. It enables Airbus to analyse reports from the field and other in-service events, and frequently leads to the introduction of safety enhancements either to new products under development or to existing designs.

#### Regulatory compliance

Product certifications are provided by the competent aviation authorities including the main civil aviation authorities (EASA, FAA, NAA) and specific military authorities (EMAR, NAA). Specific approvals are granted by these authorities to the relevant parts of Airbus' organisation at commercial aircraft level and within each Division, according to their function.

Airbus therefore works to ensure compliance through:

- design and certification of products under EASA Part 21 Design Organisation Approvals (DOA), ECSS-QST-40-C for (Space Products) and Def-Stan 00-56 (Defence Products);
- manufacturing under Production Organisation Approvals (POA);
- monitoring of in-service safety through approved EASA Part-M Continuing Airworthiness Management Organisations (CAMO);
- aircraft maintenance and retrofit operations conducted in line with civil and military EASA Part 145 regulations;
- training provided to flight crews, cabin crews and maintenance crews through EASA Part 147 Approved Training Organisations (ATO).

The certified organisations of Airbus are audited by the aviation authorities to ensure the surveillance of the full compliance of Airbus to regulatory requirements. Additional audits are also conducted by third parties as part the quality certifications appropriate to each Division, including EN9100, EN9001, EN9110, AQAP 2110, AQAP 2210 and AQAP 2310.

#### Going beyond compliance

For enhancing safety by managing and reducing safety risks, a number of company-wide organisational initiatives ensure that departments throughout Airbus work together to harmonise the Company's overall approach to aviation and product safety.

Airbus commercial aircraft and each Division includes a dedicated Aviation and Product Safety function which provides a voice for safety which is independent of other corporate priorities, and empowered to take action across each business to ensure the highest levels of product safety.

For the commercial aircraft activities of Airbus and in each Division, a Safety Management System (SMS) is deployed in order to ensure definition and clarity of safety policy and objectives, manage safety risks, assure effectiveness of implemented risk control strategies and promote safety culture amongst the workforce.

Safety policy is set within the Divisions, following common themes in behavioural values:

- putting safety first with a commitment to recognising that lives depend on safety;
- being engaged with safety, and aware of the impact of our actions on safety;
- ensuring that potential safety topics are reported and applicable lessons learnt shared with stakeholders.

One of the key elements of the Company's safety culture is the open sharing of technical information and lessons learnt with operators and industry stakeholders, including during major investigations within the constraints of ICAO Annex 13 practices. Safety culture is reinforced by the provision of means for confidential reporting of safety topics across Airbus. Just & Fair Culture policies and commitments, which provide assurance and protection from penalisation to employees who report unintentional errors, are defined and deployed throughout the Company.

The Company's safety policies identify axes of safety enhancement activity including in the safety of Airbus products, the safety of flight operations of Airbus products, and safety of the environment in which products are operated. Enhancement activities are tailored to take into account differences in the customer base and operating environment of Airbus commercial aircraft and each Division.

#### b. Research and Technology

The Chief Technology Office (CTO) applies a lean, project-based approach, encouraging collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts.

CTO is responsible for: guiding all R&T activities of the Company and ensuring Airbus-wide integration of technology through Technology Planning and Roadmapping, accelerating the development of selected technologies through Flight Demonstrators together with the Divisions, providing expertise in breakthrough technologies in support of the group wide projects in Central R&T and developing technologies for the next generation aircraft in Airbus R&T. Technology Planning and Roadmapping provides R&T Portfolio exhaustive view across the Company, manages CTO portfolio planning process and develops technology roadmaps including the use of key Figures of Merit to enable a value based technology planning. Flight Demonstrators provide a maturation mechanism and maturity gates for the group R&T portfolio. The Demonstrators employ a CTO-established development methodology, including phasing and key gates, lightweight project management and earned-value management processes, including budgeting, HR and contracting mechanisms tailored for speed of execution.



Central R&T is an R&T planning and delivery vehicle identifying and delivering technology through breakthrough research for future product generations. Central R&T portfolio is shared with Division R&T and is organised in five boost areas - data science, materials, communication technologies, electrics expertise and virtual product engineering.

Ax R&T The Divisional R&T functions are primarily planning, decision making and arbitration teams accountable within their perimeters to both CTO and to Divisional Engineering and Product Strategy. Their responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business. Fast Track Domains serve as principal advisors to the CTO on technical vision and roadmaps for associated Technology Domain areas. Fast Tracks established to ensure coherency in the portfolio of activities and to rapidly advance strategic priorities are:

- Electrification;
- Industrial Systems and Manufacturing;
- Connectivity;
- Autonomy;
- Materials;
- Artificial Intelligence.

### Key Progress in 2018

#### Flight Demonstrators

Flight Demonstrators are a technology delivery vehicle for technological breakthroughs, providing a maturation mechanism and maturity gate for the R&T portfolio. The E-Fan family of technology demonstrators is a bold step towards all-electric and hybrid-electric flight aimed at establishing requirements for future certification of electrically powered airplanes and at training a new generation of designers and engineers for the challenges of electric flying.

#### A<sup>3</sup>

A<sup>3</sup> (pronounced "A-cubed"), is the advanced projects and partnerships outpost of the Company in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** helps integrating unmanned aircraft systems (UAS) into the airspace. Using a simulator to evaluate policy options and operational models for air traffic management systems, it aims to service all forms of airborne traffic.
- **Vahana** is an electric urban air mobility vehicle designed to carry a single passenger or cargo. The objective is to fly at full scale an all-electric, self-piloted VTOL aircraft and discover the core set of requirements and technologies to enable self-piloted operations. The first Vahana full-size prototype successfully completed its first test flights in early 2018.
- **Adam** (Advanced Digital Design and Manufacturing) aims to develop methods and tools to drastically reduce development lead-time and production cost by leveraging emerging digital technologies.
- **Wayfinder** develops a scalable and certifiable platform for Autonomy and Machine Learning to enable future autonomous flight projects.
- **Voom** delivers an on-demand urban air mobility service using helicopters. It successfully completed its beta phase pilot in Sao Paulo, Brazil, and Mexico City.

The operational management of Vahana, Voom and Altiscope is exercised by the new UAM organisation.

#### Airbus China Innovation Centre (ACIC)

ACIC, based in Shenzhen, is the first Innovation Centre set up by Airbus in Asia. Its mission is to fully leverage local advantages including innovative talents, partners and the eco-system, and combine this with Airbus' expertise in aerospace to explore breakthroughs in technologies, business models and new growth opportunities.

#### BizLab

Airbus BizLab is the aerospace accelerator where startups and the Company's intrapreneurs speed up the transformation of innovative ideas into valuable businesses. BizLab offers early-stage selected projects wide-ranging support in the form of a programme with a six-month acceleration phase. Startups and internal projects benefit from free hosting in BizLab facilities, have access to a large number of the Company's coaches and experts in various domains, and participate in events such as a Demo Day with the Company's decision makers, customers and partners.

#### Airbus Helicopters

Safety remained the 2018 priority by significant progress on components architecture and advanced usage and health systems development. Advanced algorithms to provide specific, early and reliable damaging diagnostic on crack initiation were developed to provide our H225 customers with maintenance credit.

City Airbus, a three-to-four passenger optionally piloted electric vehicle demonstrator for unmanned air mobility, was a top priority of 2018 to gain experience and expertise on urban mobility and vehicle requirements. It has transitioned into Airbus Helicopters from the ExO and has successfully performed a power-on in November 2018 to launch the flight campaign in January 2019.

The urban last mile delivery solution, Skyways, has demonstrated a delivery solution in 2018 after a first flight in January.

#### Airbus Defence and Space

A priority in 2018 was technology development supporting unmanned aerial systems data driven services to accelerate the business development in this area. Light weight sensors and communication links deployed on the Zephyr High-Altitude Pseudo Satellite were equally important than the automated data analytics on images and other surveillance data which in future will be more and more based on artificial intelligence algorithms.

Integration and implementation of 3-D printing capabilities across the Division's flying products was accelerated through group-wide initiatives and will continue to be qualified for flight (in military and commercial aircraft as well as in spacecraft / satellites).

Technologies ensuring efficient satellite constellation management as well as preparing the next generation payload modules were matured to Technology Readiness for Product Integration.

#### c. Environment

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

As aviation represents around 2% of global man-made CO<sub>2</sub> emissions, Airbus recognises its role in reducing the global environmental footprint of the sector and the importance of staying in line with the global 2°C trajectory. Climate change may also affect the environmental conditions in which Airbus' manufacturing activities and products are operated. Another area of attention is the elimination of substances that may pose a risk to human health or the environment. Airbus is continually seeking technically-feasible sustainable solutions to reduce the environmental impacts of its products and operations, in cooperation with Airbus' suppliers and industrial stakeholders. The following section explains Airbus' engagement in managing these challenges.

### 1. Environmental Management at Airbus

"Shaping the future" for Airbus means developing products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. In 2018, Airbus updated its environmental policy, with a strong engagement from the CEO. The new policy focuses on three main directions:

- driving development of eco-efficient products and services taking into account environmental challenges;
- continually improving our manufacturing and site operations;
- working in cooperation with the aerospace sector to develop sustainable operations of air transportation.

Airbus Environment Steering Committee coordinates on all matters related to the environment. The Steering Committee meets four times a year and is composed of the heads of Environment for Helicopters, Defence and Space and the commercial aircraft activities of Airbus, as well as a representative from the R&S department. The responsibilities of the members are to provide consistency in environmental policy across divisions and businesses in a harmonised manner, where appropriate and specific actions are agreed for operational implementation.

Airbus also monitors environmental regulatory developments to understand, evaluate and prepare for legal and regulatory evolutions applicable to its activities and products.

Airbus has put in place robust Environmental Management Systems (EMS) based on ISO 14001. Airbus was the first aircraft manufacturer to be ISO 14001 certified. Amongst this year's achievements was the successful certification of the production site in Mobile, Alabama, which is now part of the certification scope.

Environmental risks and opportunities are managed following the company's ERM process. Risks and opportunities are reported quarterly to the Executive Committee of each division and top risks are consolidated at company level to be brought to the attention of Airbus' top management.

On an annual basis, Airbus undertakes an extensive exercise to collect, consolidate and report the Company's environmental performance data. Quantitative data is gathered as well as qualitative data (including certification, incidents and activities on site). This enables Airbus to measure the environmental impact of its site operations, track its performance and communicate information on environmental matters to internal and external stakeholders.

The reporting of environmental indicators is being extended to progressively include relevant categories of Scope 3 emissions.

This provides a greater understanding of the environmental impact of Airbus products and operations.

The emissions of the products in operation are largely influenced by downstream stakeholders: airlines' operations of aircraft, air traffic management, and fuel development are amongst them, reinforcing the need for development of appropriate methodology at sectorial level.

In 2018, Airbus reporting includes CO<sub>2</sub> emissions on the upstream value chain, with emissions linked to employee business travel and oversized transportation. Airbus is looking into developing methodology regarding the CO<sub>2</sub> emissions of purchased goods and services.

#### Working in Cooperation

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

Airbus is a Founding Member of International Aerospace Environmental Group (IAEG) and participates in different areas of IAEG, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practises and promote development of global standards.

Airbus is an active board member of the Air Transport Action Group (ATAG) which sets industry goals including CO<sub>2</sub> emission reduction goals, and mobilises action on strategic aviation issues.

Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (*i.e.* air quality, noise, CO<sub>2</sub>).

Airbus supported the ICAO agreement in 2016 on the CO<sub>2</sub> standard and also the adoption of the new Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) in 2017. Within the framework of this sectorial offsetting scheme, airlines will start the monitoring and reporting process of CO<sub>2</sub> emissions on 1 January 2019. CORSIA is the first global sectorial offsetting scheme.

Airbus continues to proactively support emissions and noise reductions once the aircraft goes into service with our customers, through fuel efficiency services, weight saving projects, developing and offering retrofits (*i.e.* sharklets) and ground operation solutions (*i.e.* e-Taxi) and the Sustainable Aviation Engagement Programme.

Airbus has worked with the European Space Agency (ESA) in Earth observation for over 25 years. EarthCARE (Earth clouds, aerosols and radiation explorer) and Copernicus, the most ambitious Earth observation programme to date, are two examples.

Recyclability is another important topic that Airbus is tackling in cooperation with other entities. With TARMAC Aerosave, a joint venture between Airbus SAS, Safran Aircraft Engines and Suez, more than 90% of an aircraft weight is today recycled or re-used through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials.



## 2. Environmental Concerns

### Regulated Substances across its Products' Lifecycles

Many substances used in the global aerospace industry to achieve high levels of product quality, safety and reliability are subject to strict regulatory requirements.

In the aerospace industry, regulations on substances impact key processes and products, such as surface treatments, paints and fire protection.

Facing this challenge, Airbus remains committed to move towards replacement of such substances in products and processes. To help achieve this, the Company has put in place a portfolio of activities and projects, working with suppliers to identify, develop, qualify and deploy new technologies and solutions that avoid use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. Airbus also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector's safety and lifecycle specificities.

Using information obtained from its suppliers, Airbus tracks, registers, assesses and declares regulated substances. The Company has already qualified and deployed over 300 alternative products for substances such as ozone-depleting substances and fluorinated gases.

Airbus invests substantial time and resources in research and development for technologies that use alternatives to regulated substances. When it can be demonstrated that these technologies meet the strict safety and reliability criteria required for aviation, Airbus seeks to implement them in its aircraft design and manufacturing.

For example, in 2006, the Airbus Chromate-Free project was launched with the aim of developing, qualifying and deploying chromate-free alternatives to materials containing and processes using chromates in aircraft production and maintenance. Chromate-free external paint systems developed initially for the A380 programme are now used in all Airbus commercial aircraft manufacturing programmes and across the aerospace industry.

Another example is the Airbus Basic Primer project that researches potential alternatives with the aim of phasing out the green chromated primer coat.

### Environmental Impact of Airbus Industrial Operations

Airbus is engaged in an industrial transformation to anticipate and prepare itself for mid-term evolutions of its industrial systems as well as the longer-term solutions to build its "factories of the future". This company-wide initiative will support the reduction of Airbus' environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of lifecycle hotspots on some main Airbus products is also ongoing to help focus on appropriate topics.

Analysis of the current trends shows that regulatory pressure on the international scene to reduce the environmental footprint of the aerospace industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement).

Airbus has committed and continues to commit to setting up ambitious short-, mid- and long-term environmental targets. In 2006, the environmental vision was set up for 2020 with goals (by reference to a baseline of 2006 at constant revenue) for reduction of energy consumption, CO<sub>2</sub> emissions, water consumption, VOC emissions, and waste production.

So far, the Company's energy consumption (stationary sources) has been cut by 38%, exceeding the goal of 30%; CO<sub>2</sub> emissions have decreased by 40% (scope 1 stationary sources + scope 2 total) against the goal of 50%; VOC emissions have been cut by 60% exceeding the goal of 50%; water consumption has been reduced by 46% against a goal of 50%; and waste production has been diminished by 42% against a goal of 50%.

Thus, since 2017, Airbus has set an extended 2030 Vision.

The following operational objectives on commercial aircraft manufacturing activities have been set:

- respect the Paris Agreement by keeping a global temperature rise well below 2°C above pre-industrial levels, and absorb production ramp-up impacts by reducing CO<sub>2</sub> emissions intensity by 60%\*;
- reduce its water intensity by 50%\*;
- maintain levels in compliance with air emissions regulations and absorb production ramp-up impacts; and
- deploy environmental requirements for and evaluation of suppliers and use these results in supplier selection processes.

The two Divisions are in the process of developing similar approaches.

\* Baseline: 2015 and constant production.

Airbus monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators.

Environmental performance	GRI	KPI	Unit	2018	2017
Energy	EN3	Total energy consumption (excluded electricity generated by CHP on site for own use) ✓	MWh	3,962,484	4,098,475
		Energy consumption from stationary sources ✓	MWh	1,296,135	1,357,724
		Energy consumption from mobile sources ✓	MWh	1,098,179	1,206,689
		Total electricity consumption ✓	MWh	1,568,169	1,534,062
		Generated electricity from CHP on-site for own use ✓	MWh	190,287	190,127
Air emissions	EN16 EN17	Total Scope 1 + Scope 2 CO <sub>2</sub> emissions ✓	tonnes CO <sub>2</sub>	965,633	1,013,101
		Total direct CO <sub>2</sub> emissions (Scope 1) ✓	tonnes CO <sub>2</sub>	553,063	591,002
		Total indirect CO <sub>2</sub> emissions (Scope 2) ✓	tonnes CO <sub>2</sub>	412,570	422,099
		Indirect CO <sub>2</sub> emissions Business Travel (Scope 3)	tonnes CO <sub>2</sub>	111,666	na
		Indirect CO <sub>2</sub> emissions Oversize Transportation* (Scope 3)	tonnes CO <sub>2</sub>	185,500	na
	EN20	Total VOC emissions**	tonnes	1,526	1,565
	EN21	Total SO <sub>x</sub> emissions	tonnes	17	15
Total NO <sub>x</sub> emissions		tonnes	321	314	
Water	EN8	Total water consumption ✓	m <sup>3</sup>	4,016,913	4,011,897
	EN22	Total water discharge	m <sup>3</sup>	3,336,712	3,416,506
Waste	EN23	Total waste production, excluding exceptional waste ✓	tonnes	98,592	105,839
		Material recovery rate ✓	%	57,8	58,5
		Energy recovery rate	%	20,7	20,6
EMS certification		Number of sites with ISO 14001 / EMAS certification*** vs total number of covered by environmental reporting	Unit	60/71	61
		Workforce effectively covered by reporting over workforce subject to reporting according to the environmental guidelines.****	%	89	90

A220 sites are not yet included according to reporting rules.

✓ Data audited by Ernst & Young et Associés. Limited assurance report is available on [www.airbus.com](http://www.airbus.com). 2018 data covers 89% of total group employees.

\* Oversize emissions cover transport of large and non standards shipments. 2018 values cover Aircraft commercial aircraft activities.

\*\* 2018 VOC emissions data is estimated. The precise 2018 data will be consolidated and available in March 2019

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

\*\*\*\* Airbus environmental reporting guidelines include sites worldwide with a workforce on-site higher or equal to 50 employees. Note that only 100% consolidated entities are taken into account to calculate this 50 employee threshold. For electricity, coverage is slightly higher (90.3%) due to inclusion of AD Stevenage site.

### Environmental IMPACT of Airbus Products in Operation

In the last 50 years, the aviation industry has cut fuel consumption and CO<sub>2</sub> emissions per seat / kilometre by more than 80%, NO<sub>x</sub> emissions by 90% and noise by 75% of aircraft in operation.

Whilst this performance is impressive, Airbus and the aviation industry recognise the importance to continue improving the sector's environmental performance in all areas – from noise to air quality and GHG emissions, notably CO<sub>2</sub>. Due to the industry's short- to medium-term reliance on fossil-based fuels as well as potential additional impacts from non-CO<sub>2</sub> factors, the reduction of aviation's impact on climate change remains an environmental challenge.

To address the CO<sub>2</sub> challenge, Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to the ATAG CO<sub>2</sub> emission goals:

- improve fleet fuel efficiency by an average of 1.5% per annum between 2009 and 2020;
- stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG); and

– by 2050, net aviation carbon emissions will be half of what they were in 2005.

Meeting these challenging goals will require a truly collaborative approach across the industry, focused on a combination of improvement measures encompassing technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and global market based measures.

Good progress has already been made on the first two ATAG CO<sub>2</sub> emission targets:

- the average global fleet fuel efficiency has improved by more than 2% per annum over the last 5 years. Airbus has contributed significantly to this reduction by delivering new aircraft (such as the A350 XWB, 25% more efficient than the previous generation aircraft; the A320neo, offering today 15% less fuel consumption compared to A320ceo (targeting 20% in the near future); and the just recently delivered A330neo, providing 14% improved fuel consumption efficiency);

- the recently agreed ICAO Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) should also play an important role towards achieving Carbon Neutral Growth from 2020.

Since 2008 Airbus has been actively supporting the development of sustainable aviation fuel, promoting its use with Airbus customers and supporting its certification. After having started offering the possibility to perform commercial aircraft delivery flights with sustainable aviation fuel from its delivery centre in Toulouse, Airbus has now enlarged the offer for sustainable aviation fuel delivery flights to its delivery centre in Mobile since October 2018. Airbus' ambition is to further scale-up these activities and to make available significant quantities of sustainable fuels for its commercial aircraft customers' delivery flights on a regular basis – and in the longer term from all Airbus commercial aircraft delivery centres around the world.

For the ambitious long-term 2050 target, the Company continues its research in step-change technologies that further improve the sustainability of our products. Electrification and hybridisation can bring not only significant benefits in addressing CO<sub>2</sub> but also for noise and NO<sub>x</sub> emissions reductions. The Company is therefore investing in research efforts on developing electric and hybrid-electric propulsion technologies. The Company already started its journey towards electric flight with the E-Fan family of aircraft in 2011, a success that permitted the Company to learn from the hundreds of flights performed since. In November 2017, the Company launched E-Fan X in cooperation with Siemens and Rolls-Royce. E-Fan X is an ambitious technology demonstrator project that aims to be a stepping stone toward a hybrid electric commercial aircraft at the scale of today's single aisle family.

Alongside reducing CO<sub>2</sub> emissions, Airbus' latest aircraft models also offer improvements in both noise and NO<sub>x</sub> emissions reduction: A350 XWB with up to 21 EPNdB lower noise and 31% lower NO<sub>x</sub> emission compared to CAEP/6 industry standards, A320neo with up to 20 EPNdB lower noise compared to ICAO chapter 4 and 60% lower NO<sub>x</sub> emission compared to CAEP/6 industry standards. Moreover, A330neo is the first aircraft to receive ICAO chapter 14 noise certification, with a margin of 6 EPNdB and up to 13 EPNdB compared to chapter 4 as well as 27% lower NO<sub>x</sub>. The H160 helicopter brings noise levels down by 50% compared previous generation helicopters.

Airbus works with stakeholders across the industry including engine manufacturers, airlines, air traffic management providers and airports to be part of the solution in reducing commercial aircraft noise impacts through optimised operational techniques and preferential routings, as well as quieter aircraft. Extensive efforts to reduce noise at the source are already applied in the design process. High priority is being placed on finding new innovative solutions and technology improvements such as low-noise nacelle designs.

With the establishment of an ecodesign team in 2018, Airbus Defence and Space has broadened the environmental analyses carried out on its products, including conducting life cycle assessments on various space products. The aim is to advance the environmental performance of its products. Engineers are being provided with such information to reduce the use of regulated substances in product development and to increase resource efficiency.

### Services for Products in Operation

The Company is supporting the CO<sub>2</sub> roadmap not only through state-of-the-art technologies improving environmental performance of aircraft, but also through services such as NAVBLUE, a 100% Airbus company. NAVBLUE develops digital flight operations and air traffic management solutions which offer improved navigation, enhanced operational efficiency and fuel savings (*i.e.* SkyBreathe software).

### d. Responsible Defence and Space Products

The Company's products provide invaluable insights on global environmental challenges and natural disasters, contribute to a safer space environment, and are being deployed to meet world governments' ever-changing needs to protect citizen's rights.

#### Defence & Security

The Company works with the EU, NATO and other governments to supply the necessary equipment to support their efforts to make the world a safer place. Nations need defence systems and equipment to guarantee sovereignty, security and human rights. The Company's military aircraft, satellites and security technologies help protect democratic values around the globe. A partnership with the Company also helps them to protect their nations from the changing nature of terrorism threats and cybercrime.

Unique product features include:

- ALTAIR is an innovative unmanned airship that performs emission free, multi-hour visibility over cities and crowds of people, enabling police forces to secure critical events;
- Ocean Finder delivers fast satellite-based detection and identification reports for assets at sea, including ships, locating hijacked boats, illegal activities detection, maritime mission preparation as well as supporting search and rescue operations;
- Spationav is the coastal surveillance project of Airbus DS SAS;
- Deutsche Küste - As part of the security concept Deutsche Küste (German Coast Security Concept), Airbus Security Solutions is providing a maritime information system is used for managing the planning and coordination of vessel traffic and safety of shipping within German territorial waters.

For information on risks related to security, see "Risk Factors – Business-Related Risks – Physical Security, Terrorism, Pandemics and Other Catastrophic Events" and "Cyber Security Risks".

#### Environmental Contributions

With its low earth orbit meteorology satellite systems, optical and radar imagery from Airbus satellites shed light on significant environmental issues such as climate change, pollution, deforestation and natural disasters. Programme highlights include:

- Copernicus is the European Union's Earth Observation programme. The satellites built and managed by the Company as part of the EU's programme include Sentinel 2 circles the Earth's landmasses every 10 days, delivering data for agriculture, forestry, natural disaster control and humanitarian relief efforts. ADM-Aeolus provides global observations of atmospheric modelling and analysis techniques, which benefit operational weather forecasting and climate research;

- METOP mission provides meteorological observations from polar orbit and contributes to the long-term climate monitoring programme. It also has a search and rescue function;
- BIOMASS will provide global scale maps of biomass, changes due to forest loss (from logging/burning) and forest regrowth, improving the understanding of the contribution of forests to the global carbon budget;
- Twin Grace-FO Satellite observes changes in the Earth's gravitational field over time to better understand the dynamic processes beneath the Earth's surface and the changes in the ice coverage at the poles;
- Starling is a service that assists companies in verifying commitments made to stop deforestation;
- Zephyr is the world's leading solar-powered High Altitude Pseudo-Satellite (HAPS), providing persistent surveillance, tracing the world's changing environmental landscape, and will be able to provide communications to the most unconnected parts of the world.

The Airbus Foundation's partners, such as non-governmental organisations, benefit from Airbus satellite images to assist them in carrying out relief efforts following natural disaster events, as well as the use of Airbus platforms in the transport of relief aide. Further details on the Airbus Foundation are provided later in this chapter.

### Sustainable Space

The Company is working to ensure a safe and sustainable space environment for current and future generations by pioneering relevant technologies and participating in leading sector initiatives. Examples include:

- RemoveDEBRIS, a collaborative space debris removal technology mission;
- Technology for Self-Removal of Spacecraft (TeSeR), is a consortium which aims to reduce the risk of spacecraft colliding with debris through a module that prevents collision risk;
- O-Cubed is an on-orbit servicing solution for active debris removal, satellite maintenance and in-space manufacturing.

### 1.1.8.3 Responsible Employer

#### a. Workforce

As of 31 December 2018, the Company's workforce amounted to 133,671 employees (compared to 129,442 employees in 2017), 95.78% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2018. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

Entries & Leaves	2018	2017	2016
<b>Newcomers</b>	<b>10,959</b>	<b>7,318</b>	<b>7,532</b>
Core division	5,246	3,900	3,843
Subsidiaries	5,713	3,418	3,689
<b>Leavers (including partial retirement)</b>	<b>6,198</b>	<b>5,151</b>	<b>4,698</b>
Core division	3,245	2,646	2,274
Subsidiaries	2,953	2,505	2,424

In terms of nationalities, 36.3% of the Company's employees are from France, 31.5% from Germany, 9.0% from the UK and 9.9% from Spain. US nationals account for 1.8% of employees. The remaining 11.6% are employees coming from a total of 136 other countries. In total, 90.7% of the Company's active workforce is located in Europe on more than 100 sites.

Furthermore, the Company expects its workforce to evolve naturally to support the business.

#### Workforce by Business Segment and Geographic Area

The tables below provide a breakdown of the Company's employees by business segment and geographic area, as well as by age, including the percentage of part-time employees.

Employees by Business Segment	31 December 2018	31 December 2017	31 December 2016
Airbus* ✓	80,924	74,542	73,852
Airbus Helicopters ✓	19,745	20,161	22,507
Airbus Defence and Space ✓	33,002	32,171	34,397
Airbus (former HQ) ✓	0	2,568	3,026
<b>Group Total ✓</b>	<b>133,671</b>	<b>129,442</b>	<b>133,782</b>

\* Airbus includes population of former HQ since 1 January 2018.

✓ Data audited by Ernst & Young et Associés. Limited assurance report is available on [www.airbus.com](http://www.airbus.com).

Employees by geographic area	31 December 2018	31 December 2017	31 December 2016
France ✓	48,144	47,865	47,963
Germany ✓	45,387	44,214	46,713
Spain ✓	13,684	13,177	12,682
UK ✓	11,214	11,304	12,020
US ✓	2,489	2,707	2,829
Other countries ✓	12,753	10,175	11,575
<b>Group Total ✓</b>	<b>133,671</b>	<b>129,442</b>	<b>133,782</b>

% Part time employees	31 December 2018	31 December 2017	31 December 2016
<b>Group Total ✓</b>	<b>4.22%</b>	<b>4.20%</b>	<b>4.13%</b>

Active Workforce by contract type	31 December 2018	31 December 2017	31 December 2016
Unlimited contract ✓	130,131	126,534	131,153
Limited contract > 3 months ✓	3,540	2,908	2,629

The Company's attrition rate is 4.9% overall (incl. subsidiaries) and 8.51% in subsidiaries only.

The Company's headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the active workforce, i.e. the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies. The scope for HR structure reporting covers about 97% of the Company's total active workforce from consolidated companies. In total, about 3% of the Company's employees are not included in the scope, as no detailed employee data is available at group level for some companies belonging to the Company, usually recently acquired.

For more details on Scope and Methodology, please refer to the Company's website at <http://www.airbus.com>.

## b. Human Capital Management, Labour Relations and Human Rights

The Company's 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 Company's 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 the Company and contribute to a common culture based on strong company values;
- to be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

### Training and Mobility

In 2018\*, the Company provided more than 1,3 million training hours and more than 11,000 employees participated to learning linked to leadership domain.

	2018*	2017
Number of Classroom Training ✓	114,327	134,427
Number of Digital Training ✓	248,448	144,624

\* Change of reporting period in 2018: from 1 Oct. 2017 to 30 Sep. 2018

In addition, in 2018 more than 30,000 employees benefitted from others developments and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the Company's approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the culture evolution and human transformation in the Company.

Mobility of employees within or across Airbus and its Divisions is one of the main priorities for the overall benefit of the Company.

In 2018, as of end of December, more than 12,500 employees changed jobs cross-divisionally and cross-country.

### Labour Relations

Wherever it operates, the Company 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, the Company 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.

The Company 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 Company 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 the Company's Societa Europea Work Council (SEWC) agreement in 2015.

Strengthening the role of industrial relations and social dialogue is an enabler of shaping the future of work through workplace cooperation, collective bargaining by enhancing cooperation between employees' representatives and the top management of Airbus.

In line with its commitments, the Company demonstrated its engagement through the following significant milestones in 2018:

- in 2018, the Company signed the SEWC Reshape agreement promoting mutual understanding and the co-construction of transnational solutions, which should be then reflected at national level. In this frame, the "Airbus Global Forum Initiative" was launched, with the aim of piloting constructive exchange of information with staff representatives at a global level, in line with responsibility and sustainability policies to further engage the social dialogue towards Company globalisation. The first meeting will be held in June 2019 chaired by the Airbus CEO;
- in October 2018, Airbus also joined the Global Deal for Decent Work and Inclusive Growth initiative ("Global Deal"). Launched in 2016, the Global Deal is a multi-stakeholders' partnership that seeks to address two of the greatest challenges of our time: to reduce high and rising inequalities in opportunities and outcomes and to restore fading trust in the ability of governments and institutions to make economic growth work for all against a backdrop of rapid changes in the world of work. The Global Deal's founding principles aim at encouraging action through voluntary commitments, increasing knowledge base about social dialogue and sound industrial relations and providing platforms for sharing experiences and best practices. Airbus' active representation demonstrates that social dialogue's globalisation is rooted in the Company's R&S

strategy and commitments reflecting the Company being an employer of choice.

In France, following the entry into force of a new legislative framework related to employee representative bodies with the creation of a single body — the new works council *Comité Social et Économique* (CSE) — Airbus seized the opportunity for an in-depth review of its social dialogue model which resulted in a unanimous signing of six revised agreements pertaining to the regeneration of the social dialogue. These agreements enable the harmonised development within Airbus in France of a social dialogue that is more focused on strategic issues and the general operation of the company with an architecture giving employee representatives access to an overall vision and the opportunity to better support the transformation being undergone by Airbus (including digitalisation, new ways of working, competitiveness, etc.), without neglecting representation of proximity.

In a fast-paced transforming business environment, the quality of social dialogue, proximity and cooperation has demonstrated its added value in supporting our employees. This was accomplished through transnational restructuring plans by negotiating state of the art accompaniment redeployment measures supporting impacted employees in a constructive social climate with no protests and resulting in finding redeployment solutions to 99% of our employees mainly internally as a result of solidarity and priority principles founded in the Company's HR values.

#### Human Rights

The Company has a zero tolerance approach to all forms of human rights abuse, including modern slavery, within its business, its operations and within its supply chain.

In light of changing regulatory requirements, Airbus has identified a risk of insufficient awareness of human rights impacts relating to its business and its operations. In response, the Company has decided to launch a programme of work to understand more fully its negative and positive human rights impacts, and to undertake a human rights gap analysis that will consider current and upcoming regulatory requirements, international best practice, the UN Guiding Principles and the UN Global Compact. This work is intended to commence in early 2019. Modern slavery risks will also be covered in the human rights impact and gap analysis.

As part of its obligations under the UK Modern Slavery Act, and in recognition of the global aim of this topic, Airbus published its second Modern Slavery Statement in 2018. Modern slavery, along with wider human rights, is a topic followed by the Airbus R&S Network. Actions to address these issues and understand associated risks to its business and supply chain continued during 2018. For further information on the evaluation of human rights risks in Airbus' supply chain, see section 1.1.8.4(b) Responsible Suppliers.

The Company also continued the roll-out of its e-learning modules focused on helping employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns. At the end of 2018, 4,972 employees had completed this e-learning, which is available in four languages and forms part of the ethics and compliance catalogue of learning. The Company is also committed to promote awareness through internal communication initiatives and awareness sessions and to train its most impacted employees on potential risks.



During 2018, Airbus started to identify potential KPIs related to human rights which could be used to measure progress. The Company is currently evaluating the availability of data in order to start report using these KPIs.

### c. Health and Safety

The health and safety of our employees is a top priority of the Company. It is the Company's policy to continuously reinforce health and safety related to Airbus work activities as part of the business culture and to deliver responsible health and safety management that sustainably reduces risk to people, the environment and the business.

#### Governance of Health and Safety at Airbus

A new company-wide Occupational Health and Safety Policy has been issued in 2018 as the foundation of the Company's system for management of health and safety at work. The new Policy reflects the changes in company structure and evolving external and internal requirements.

The purpose of this new policy is to:

- reinforce the following principles:
  - responsible management of health and safety, taking all feasible steps to protect people and the business from the health and safety risks that could arise from its work activities,
  - all employees accepting appropriate responsibility for themselves and others,
  - a health and safety management system that drives continuous improvement and compliance,
  - a preventative approach based on analysis of leading and lagging indicators and other occupational health and safety data;
- reiteration of the health and safety mission and vision:
  - our mission is to deliver a culture and management systems that promote health and safety at work, related compliance, and the sustained reduction of health and safety risk related to Airbus work activities,
  - our vision is that Airbus has world class health and safety risk management and is known as a company where safety, health and welfare are valued as an integral part of our success. Airbus aspires to zero work related injuries and ill-health;
- focus on key initiatives:
  - a health and safety management system based on the principles of the ISO Standard 45001,
  - the implementation of a company-wide health and safety software platform (Federated Information on Safety and Health called FISH),
  - the reinforcement of a company-wide health and safety function by the harmonisation of health and safety philosophy and methodology.

To achieve the objectives of this Policy, Airbus is consolidating health and safety resources into a single organisation to deliver company-wide harmonisation and gain improvements in risk control and efficiency benefits. In this respect, Airbus has defined Transversal Expert Groups (TEG), for Industrial Hygiene, Health and Wellbeing, and Safety Management. These TEG span Airbus, its Divisions and countries, providing advice and helping to improve management of risk control work.

Airbus is structuring its corporate health and safety management framework based on the principles of the newly introduced international standard – ISO 45001. The new Policy is one of the foundation documents which has evolved in this regard. The FISH management platform and the harmonisation of the company-wide health and safety function are two of the pillars supporting the health and safety management framework for health and safety at work. Airbus will progressively certify some entities under ISO 45001.

#### Tools

The company-wide management framework health and safety at work is supported by FISH – the global health and safety software platform. The deployment of this platform started in 2018 and will enhance Airbus' incident, risk health and safety capability. This will enable improved aggregation and analysis of health and safety data to form a risk topography that focuses resources to best effect. Such module will support measurement and evaluation of work-related incidents (eg: near misses) which will improve accident avoidance.

The incident management module of this platform has been deployed in France for Airbus commercial aircraft activities and Airbus Helicopters, in Spain for Airbus and its Divisions and in UK for Airbus' commercial aircraft activities and Airbus Defence and Space. It is expected that the full deployment of this module in the FISH tool will be completed in 2019. Thus Airbus will progressively improve its ability to collect, analyse and report on work related health and safety information, continuously improving the identification and mitigation of risk.

Commencing the deployment of the incident management module and the overall harmonisation process have allowed improvement in the production and collection of overall company-wide KPIs which are detailed below.

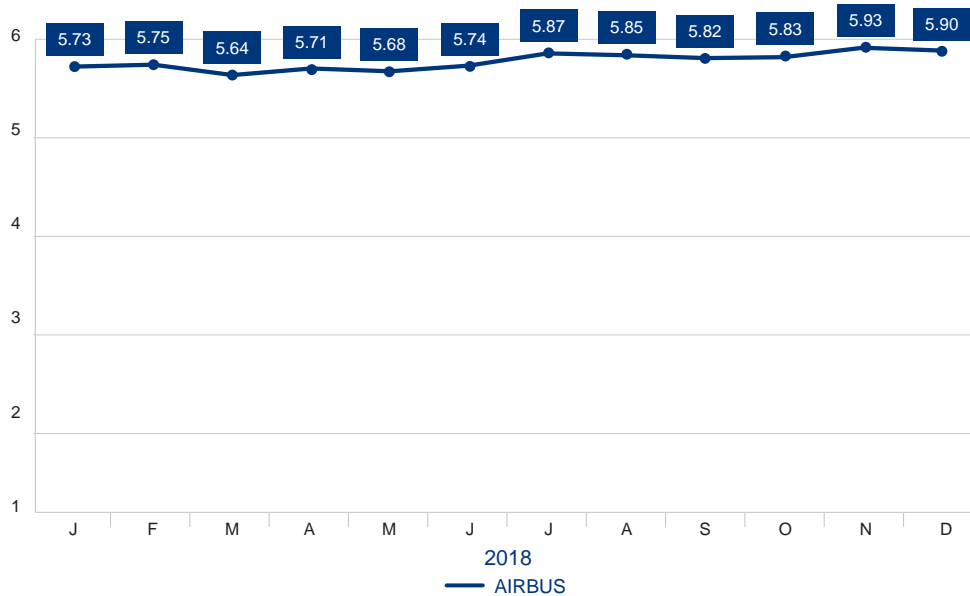
Airbus has held an innovation workshop to focus on future technologies to support and reinforce safety and ill-health risk-prevention by using new technologies, such as exoskeleton, ergonomic analysis and virtual reality training.

#### Risks and Management Performance

The company identifies work-related hazards and seeks to eliminate, substitute, isolate or otherwise manage them to support legal and regulatory compliance. It is intended that company processes further be improved through the company software platform, FISH. Risks that could arise from work activities include the possibility of injury, physical and mental ill-health, damage to equipment, business interruption and regulatory action. Any reputational risk and claims against Airbus that may result will also need to be managed. In 2018, main causes of injury remain slip, trip and fall events and ergonomic/manual handling. Work at height and chemicals present additional concerns.

Collection of health and safety data is being harmonised company-wide using common indicators such as Frequency Rate. The reporting scope of such harmonised health and safety data (reflected in the table below) covers Airbus and its Divisions for the four home countries and the Mobile USA and Tianjin China plants, covering around 92% of the Airbus Active Workforce, and will be progressively extended. Analyses of such reporting data will continue and evolve in light of the level of maturity of data collection.

AIRBUS AND ITS DIVISIONS – ROLLING 12 MONTHS EMPLOYEE LOST TIME INJURY FREQUENCY RATE



FISH (the new company-wide software platform for health and safety) will develop consistency of health and safety incident reporting and investigation to improve the Company's incident management results. This will in turn improve data analysis capability and help reinforce preventative activities. The People Safety@Work project was launched for Airbus commercial aircraft activities mid-2018. This project aims to improve the management of work-related healthy and safety injuries in operational areas and drive a safety mind-set. The project is structured through a multi-functional team led by all impacted functions (e.g., Human Resources, Industry, Final Assembly Line, Facility Management, Procurement).

**Key Initiatives**

Airbus regularly consults and provides information to employee representatives, for example in direct meetings and committees. Airbus has health and safety committees involving employees and their representatives in line with applicable regulations. As examples of such interaction, the health and safety software platform (FISH) project has been presented to more than 25 national and European employee committees and the health and safety team has contributed to an agreement signed with French social partners on quality of life at work (*Qualité de vie au travail*).

Airbus continues to conduct communication campaigns with the ongoing aim of encouraging employees to engage in health and safety risk management. In April 2018, Airbus held a company-wide risk awareness campaign to coincide with the ILO World H&S Day, extending to all employees throughout the group. Numerous other initiatives have been deployed locally on sites including the Safety Box (a dedicated space for safety training and information); Safety Road Risk initiatives; the Extended Enterprise Platform for onsite contractors; and the company-wide health and safety colloquium, where health and safety practitioners meet to exchange ideas and best practices.

The Airbus health and safety training catalogue is constantly evolving to support Airbus' risk management activities. Airbus has defined a health and safety development strategy focusing on harmonised and standardised training. Airbus is also continuously developing its health and safety learning catalogue including digital solutions and alternative learning approaches. From October 2017 to September 2018, the Company delivered over 137,000 hours of dedicated health and safety training to approximately 30,800 individual employees.

Protecting health and safety is one of the Company's top priorities, and Airbus is continuously reviewing its means and processes across plants and sites with this in mind. The "REACH-IT" project within Airbus' commercial aircraft activities, including similar initiatives within the Divisions, reviews Airbus manufacturing processes, tools and workstations in light of the REACH authorisation application measures for environment, health and safety protection. It contributes to continuous improvement.

With regard to sub-contracting, as further detailed in section 1.1.8.4(b) Responsible Suppliers, Airbus strives to continuously improve the integration of health and safety elements into the purchasing process. Airbus standard procurement contracts contain health and safety provisions to be respected by suppliers.

In addition, on-site sub-contracting processes are in place and are continuously evolving with a harmonisation objective. Airbus identifies potential risks and defines prevention measures in cooperation with on-site sub-contractors, jointly producing dedicated documents, such as the prevention plans in France or job registration forms in the UK. Airbus then monitors on-site sub-contracting activities.

**Outlook**

The health and safety management system aims to focus on proactive risk assessment and control, role appropriate competence and development, and active monitoring, analysis and oversight reporting. It is key for Airbus to further expand its health and safety management software platform (FISH) to enhance the ability to capture company-wide performance information in a common format to facilitate improved data collection, analysis and performance. Such data analysis will help reinforce preventative activities.

Airbus also aims to further use learning to support the integration of health and safety into the business culture and is therefore working on the harmonisation of employee training offers for employees and customisation of such offers, for example developing specific training for managers and executives.

**d. Inclusion and Diversity**

The Company is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone's unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company.

The Company's approach to Inclusion & Diversity ("I&D") takes different forms including: I&D Steering Board chaired by the Airbus CEO, dedicated training and awareness, internal incentives for international mobility, initiatives to attract women, flexible work-life solutions. In fact, the Company strives to ensure I&D is embedded in all it does, serves business purposes and benefits all employees worldwide. With full support of the entire HR function, I&D initiatives are run and coordinated by a dedicated team of experts worldwide. The Company's efforts are also supported by several employee networks such as Balance for Business and platforms for exchange like "Knowing Me, Knowing You".

In line with its aspiration for a more diverse workplace, the Company is working to increase the number of applications from areas that are currently under-represented in its workforce, including but not limited to women, nationalities, age groups and social backgrounds to ensure a broader range of candidates for open positions.

In order to support recruitment of women in all areas, Airbus has entered into partnerships to increase the number of women starting a career in the aeronautical industry – for example with Capital Filles, Women in Aviation, IAWA. Internally, an I&D network of over 4,000 employees work on how to attract, develop and retain diverse profiles, especially women, in the Company. In parallel, Airbus strives to increase the number of women in leadership positions, including through dedicated coaching and training such as "I Unleash My Potential" as well as by fighting stereotypes in internal conferences or workshops. In terms of internationalisation of profiles, Airbus facilitates the attraction of talents from around the world to Airbus' traditional home countries (France, Germany, Spain, the United Kingdom) through an International Graduate Programme enabling talents from all around the world to come and work on their development over one year at Airbus sites in Europe. In addition, Airbus also put in place several actions to boost mobility from other regions to the home countries.

Although the Company welcomes many forms of diversity, it measures the evolution of the diversity of its workforce with a specific focus on gender diversity and internationalisation with key KPIs such as: proportion of women promoted to a position of senior manager or above, proportion of women among white collar external hires, gender pay gap at all levels between women and men, and the number of moves from the key countries (including India, China, US) to the home countries.

The Company has launched several actions to embrace other forms of diversity, including:

- reverse mentoring to connect all generations in the Company;
- accompany the creation of Employees Resource groups like Pride@Airbus (LGBT+ network);
- coordinate all local strategies towards disability with several thousand differently abled employees all around the world.

As far as the Airbus SE Board of Directors is concerned, the Company is moving in the right direction with 3 women in 2017 compared to not a single woman on the Board in 2013.

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

	<b>31 December 2018</b>	31 December 2017	31 December 2016
Women in active workforce ✓	17.7%	17.5%	17.2%
Women in management positions ✓	12.6%	12.4%	11.4%

The reference to "management positions" in the figure above only applies to the top 4% of the active workforce.

### 1.1.8.4. Responsible Business

#### a. Ethical Business Practices

##### Leading by Example

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

In 2018, Ethics and Compliance was a top priority for the Company as for 2017. In its list of priorities for the year, Airbus set the objective to:

"Continue to engage and develop our people worldwide to excel today and tomorrow by adopting key digital skills and mind-set, reinforced ethics & compliance adherence and a strong focus on diversity".

Compliance is at the heart of everything Airbus does today – Airbus is putting significant resources and effort into supporting the coordinated criminal investigations by the UK Serious Fraud Office (SFO) and France's Parquet National Financier (PNF).

The Independent Compliance Review Panel (ICRP), a panel of eminent external consultants appointed by the Company in May 2017, has also progressed in its mission over the past year. The Company is committed to putting in place the ICRP's recommendations on how to further improve our compliance processes, policies, organisation and culture.

##### Our E&C Organisation

The Ethics & Compliance organisation is part of the Legal Department under the ultimate responsibility of the Airbus General Counsel. The aim is to provide strong governance throughout the Company with the global presence of qualified compliance officers who ensure the compliance programme is implemented consistently in the different functional and operational areas.

They do this in close cooperation with its employees and management, who are expected to lead with integrity by example and take responsibility for compliance within their scope of activity.

##### Our Commitment

Over the years, the Company 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, the Company 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 the Company as well as entities that the Company controls. Third-party stakeholders whom the Company 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 the Company complies with the myriad legal requirements applicable to its business. Because of this, Airbus has worked over the past several years to develop an Ethics & Compliance programme that is structured around the following key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance and Data Protection Compliance.

Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

More broadly, the Company's Ethics & Compliance programme also covers other areas such as conflicts of interest, anti-competitive conduct, insider trading, fraud, *etc.*, while also working with the Airbus R&S Network.

Improving the Ethics & Compliance programme is a constant and ongoing process, not only in the area of Business Ethics/Anti-Corruption but across the ethics and compliance spectrum more generally in order to capitalise on our values.

##### Business Ethics/Anti-Corruption Compliance

The Company rejects corruption of any kind, whether public or private, active or passive. This means that neither the Company, its employees or third parties acting on its behalf may offer, promise, give, solicit or receive – directly or indirectly – money or anything of value to or from a government official or someone in the private sector in order to obtain or retain business or secure some other improper advantage.

The Anti-Corruption Policy (available at [airbus.com/company/ethics-compliance.html](http://airbus.com/company/ethics-compliance.html)) summarises its stance of zero tolerance. It also refers to some of the specific directives the Company has adopted to address key anti-corruption risk areas, such as the engagement of third parties (*e.g.*, business partners, lobbyists, *etc.*), gifts and hospitality exchange and the making of sponsorships and donations.

In addition to these existing anti-corruption directives, in 2018 the following new policies were adopted:

- a method defining the requirements for the prevention of corruption in the context of international cooperation & offset activities (IC&O), which provides employees with an explanation of the compliance due diligence that must be conducted on IC&O third parties depending on the function or services they perform;
- a method defining the requirements for the processes for "Manage Staffing and On-Boarding" and "Recruit People", on how to manage applications, recommendations and referrals for recruitment at Airbus;



– a method related to the requirements for the investigation of compliance allegations, to ensure that these investigations are conducted in a consistent and professional manner in accordance with company standards and relevant laws.

In 2018, the Ethics & Compliance team also worked to align and integrate the compliance due diligence screening and on-boarding process of suppliers – formerly managed by the Procurement team through its “Watchtower” – into the overall Ethics & Compliance policy framework and tools. Further work will be conducted by the E&C team in 2019 to roll-out the process consistently across Airbus’ Divisions and subsidiaries.

### Export Compliance

Each of the countries in which the Company 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 the Company’s responsibility to respect and comply with each of these controls. The Export Compliance Directive defines its policies, processes and organisation to ensure compliance with all relevant export control laws and regulations.

### Data Protection Compliance

Building on the solid Personal Data Privacy policy foundation, governance and culture in place since years and the Binding Corporate Rules (available at <https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Airbus-Binding-Corporate-Rules%20.pdf>) into force across the group since 2014, the Company fully commits to Privacy and the General Data Protection Regulation (“GDPR”) requirements in its operations and products. Thus the Company has deployed updated policies, tools and practices across its entire organisation to meet the Privacy by Design and other GDPR requirements into force since May 2018.

### Awareness and Training

The Company aims to educate its people about the standards of conduct that apply to their jobs and the potential consequences of violations. Target populations are reviewed annually and required to undergo training and awareness eLearning or face to face sessions based on job function, role and responsibility.

In 2018, the Company’s employees followed 204,667 Ethics & Compliance digital training sessions. In coordination with an effort to increase accessibility to the digital learning platform, one of Airbus’ 2018 objectives was for all employees with access to a computer to perform an Ethics and Compliance digital training session.

### Speak-Up Channel: OpenLine

The Company recognises that the Standards of Business Conduct cannot address every challenging situation that may arise. The Company therefore encourages its employees to speak-up through various channels, including through OpenLine (available at <https://www.airbusopenline.com/>). The OpenLine enables users to submit in good faith an alert securely and confidentially and also to ask all questions related to Ethics and Compliance. In 2018, the Company decided to further improve the accessibility and use of the OpenLine by extending the geographical coverage of the tool, which should allow access to all employees based in the countries where Airbus operates.

The Company also decided to extend the scope of the OpenLine to responsibility and sustainability related topics. Finally, and beyond already existing measures to preserve the confidential use of the OpenLine, users are offered a new option allowing them to remain anonymous, where legally permissible. All of these improvements came into force on 1 January 2019. The Company does not tolerate retaliation against employees making reports in good faith and/or assisting in investigations of suspected violations of the Standards of Business Conduct. For further information, visit the OpenLine website.

## b. Responsible Suppliers

The Company designs and integrates complex aerospace and defence products, leveraging an extensive supply chain. Co-operation with suppliers occurs in several fields of the business and is key to ensure quality standards which lead to shared success, growth through innovation and a commitment to sustainability. Airbus also engages its suppliers on its sustainability journey and shares a commitment to improve social and environmental performance, constantly driven by values of integrity and transparency.

### 1. Procurement at Airbus

More than 12,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2017, the overall external sourcing volume of Airbus is valued at around €52 billion.

Whilst Airbus products and services are sold all over the world, the majority of its workforce and supply chain are based in Europe and the Organisation for Economic Cooperation and Development (OECD) countries. In the past few years, the supply chain has become concentrated and more international. Such rising concentration is the result of consolidation within the aerospace and defence sector, as well as larger work packages for the major new aircraft programmes being placed with a smaller number of lead suppliers. Airbus has identified global sourcing as one of its leading long-term objectives. To promote the globalisation of its sourcing footprint, an Airbus Global Sourcing Network (GSN) has been established including regional sourcing offices in USA, China and India.

The Airbus “Procurement Academy” provides training on core competences and skills to develop procurement expertise. and prepare Procurement employees for the challenges of the future.

### 2. Responsible Supplier Management

As a global leader in aeronautics and space, the Company 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 the Company’s activities are managed.

Airbus suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in a manner compatible with the Airbus Supplier Code of Conduct.



The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management (available at <https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Supplier-Code-Conduct-EN.pdf>). This Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). Airbus implemented the International Forum on Business Ethical Conduct ("IFBEC") Model Supplier Code of Conduct in its entirety as the Airbus Supplier Code of Conduct in 2016.

The Supplier Code of Conduct was sent to the 12,000 main suppliers across the world with a letter from the Airbus' Chief Procurement Officer and the Airbus General Counsel requesting a commitment to the Code. Airbus expects its suppliers to comply with the key values set out in this. Suppliers are also expected to cascade these principles throughout their own supply chains.

#### Supplier Mapping

As part of supplier management activities for commercial aircraft, Airbus has put in place, the Supplier Mapping tool with multiple capabilities, notably to identify Airbus supply chain sub-tiers and support identification of risks of supplier non-performance. In 2018, a total of 8,680 suppliers from 64 countries were identified by the Supplier Mapping tool of which 1,071 were tier-one suppliers, 6,473 second tier suppliers, 1,314 qualified sub-tiers suppliers. A total of 141,148 activities were involved and 45 quality alerts resulted from 422 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

#### Ethics & Compliance Supplier Watchtower

In 2018, the Ethics & Compliance Supplier Watchtower was managed by the Procurement Ethics & Compliance department proactively checking specific suppliers for compliance aspects.

In 2018, suppliers were checked depending on the risks linked to their country of registration. The risk rating of countries is defined by the Procurement Compliance department and updated regularly. Criteria comprise export restrictions and responsibility and sustainability-related elements such as anti-corruption, human and labour rights.

Supplier Integrity Checks investigate compliance concerns which are triggered by certain business relationships. Such concerns are comprised of, for the Company or its ownership, among others: legal investigations or judgements, negative press reports, incidents of corruption, listings on sanction lists/blacklists, proximity to governments or risky entities (shareholders, customers, beneficial owners and subsidiaries). In case a Supplier Integrity Check yields concerns, a Procurement management meeting is held to discuss potential additional due diligence measures and mitigation actions. About 700 Supplier Integrity Checks were conducted each year in both 2017 and 2018.

A Supplier Integrity Check can be performed on demand and is also embedded in the supplier registration process and eProc, an electronic platform where buyers and suppliers perform all aspects of calls for tender, from identification of potential suppliers, contract awarding, to supplier evaluation and spend analysis.

#### Environment, Health and Safety in the Supply Chain

Identification of potential risks related to legal and regulatory requirements that may be applicable to Airbus' management of compliance of its activities and products and the communication of information on the composition of its products depends to a large extent on the level of information made available by the supply chain.

Airbus Procurement is continuously striving to improve the integration of environmental, health and safety elements into the purchasing process.

Current standard procurement contracts include i) requirements for suppliers to comply with all applicable laws and regulations regarding, products and services and ii) requirements for suppliers to provide information on substances used in manufacturing processes, contained in their products and on environmental, health and safety matters, including information for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System – based on ISO 14001 or equivalent – which shall consider continuous improvement through the mitigation of significant environmental aspects and impacts, including air emissions (e.g., greenhouse gas, volatile organic compounds); waste, water discharges, raw material consumption.

Regarding supplier environmental control and monitoring, Airbus performs the following activities: collecting data from suppliers is made through a Material Declaration Form to enable Airbus to identify which substances are used, tracking and declaring them in the frame of substances regulation such as REACH. Environmental requirements are included in supplier audits and the Industrial Process Control Assessment (IPCA). In addition, the Environmental Obsolescence Risk at Supplier questionnaire (EORS) assesses the level of maturity of supplier processes to manage Airbus environmental requirements and regulated substances obsolescence. EORS is applicable to all Airbus Commercial Aircraft suppliers – for the time being EORS campaigns have targeted the suppliers of cabin, systems and equipment, engines and nacelles products.

As mentioned above under section 6.1.2(c) Environment, Airbus is a founding member of IAEG, which is working on enabling a common approach at industry level, in regard to standards and tools to manage environmental obligations.

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

#### Zero Tolerance Approach to Modern Slavery in the Supply Chain

As previously mentioned under section 1.1.8.3(b) under "Human Rights" as part of its obligations under the UK Modern Slavery Act, the Company published its second Modern Slavery Statement in 2018 in recognition of the global aim of this topic. Modern slavery, along with wider human rights, is a topic followed by the Airbus R&S Network and Supplier R&S Programme. Actions to address these issues and understand associated risks in the supply chain continued during 2018 and are detailed in the chapter in regards to the Vigilance Plan.

In addition, the Company continued the roll-out of its e-learning modules focused on helping all employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns. This e-learning, available in four different languages, is part of the mandatory

Ethics & Compliance catalogue of learning. The Company also plans to launch an in-depth training course specifically focused on human rights and modern slavery for employees engaged in activities in high risk areas identified through its supplier risk mapping and assessment.

#### Promoting Disability Friendly Companies

Since 2011, Airbus in France has been promoting employment of people with disabilities by its suppliers. Concretely, a specific mention is integrated into all relevant calls for tender launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2017, the global volume of business with disability friendly companies in France was €44.5 million with an increase of 19% compared to 2016 for Airbus in France. At the end of 2018, 56 disability friendly companies are working with Airbus compared to 10 in 2010. An extension of this project to Airbus sites in Spain and Germany is planned based on the same philosophy: create jobs for people with disabilities in specialised companies.

### 3. Moving forward: Airbus Supplier R&S Programme: Vigilance Plan

To deliver parts, components, sub-systems or services, quality, reliability and economic efficiency is key to its operations. However, Airbus believes that this should not be at any cost and as such is committed to engage in due diligence actions with its suppliers with regard to issues of Responsibility and Sustainability.

Airbus strives to make Responsibility & Sustainability a core element of its procurement process. Airbus has a long established and integrity-driven procurement process which manages relationship with suppliers from strategy, supplier selection, contract management to supplier management. Environmental activities in Procurement have paved the way to integration of wider corporate social activities within the supply chain.

Airbus acknowledges the challenge of obtaining sufficient visibility of its supply chain and recognises a risk regarding supplier compliance relating to stronger R&S regulations in terms of human rights, labour and environmental standards in the global supply chain. Willing to encourage development of responsible suppliers and manage the potential adverse impacts of its activities as well as to create new opportunities, in 2017 Airbus launched a Supplier R&S Programme, following international guidance such as the OECD guidance on responsible business conduct.

The Supplier R&S Programme initiated and defined in 2017 for Airbus' commercial aircraft activities will continue and evolve year on year on the principle of continuous improvement and roll-out in Airbus' Divisions. In 2019, Airbus will also launch the Supply Chain Environmental Sustainability (SCES) project to complement the response to the Vigilance Plan. The Supplier R&S Programme has been presented to and is regularly reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Programme and its activities are managed by the Airbus Procurement Ethics & Compliance department, together with relevant Airbus Procurement stakeholders. To this end, the existing Airbus Procurement environmental network

with representatives from the different Procurement categories of purchase has been extended to cover other R&S topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of R&S-related topics and support the identification of risks according to the category of purchase. The Airbus Procurement R&S network can also support initiating cooperation with suppliers as well promoting industry-recognised practices. Additional governance exists with the corporate R&S, Legal and Ethics & Compliance departments. The Supplier R&S Programme manager is also part of the corporate cross-functional Airbus R&S Network.

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

#### A. R&S-Related Risk Identification and Mapping

All Procurement related risks for Airbus commercial aircraft activities are embedded into the Company's ERM system. A specific risk category regarding R&S-related risks in the supply chain has been integrated into the ERM system.

The Procurement function supported by the Procurement risk department manage ERM in procurement fields, as well as duly report issues to top management. Along with identification and reporting of R&S-related risks, a proactive supplier R&S risk mapping has been performed in line with international guidance. The risk mapping resulted from both a country risk and a purchasing category approach for human and labour rights and environmental matters. The R&S-related risks levels in the existing supply base require an in-depth analysis and review with the relevant Procurement commodities to agree on the deployment of the relevant internal and external mitigation actions.

This supplier risk mapping aims to detect areas where procurement activities are exposed to significant potential risks. With those suppliers linked to higher risk activities, specific actions started in 2017 and implementation continued in 2018. For new suppliers joining the Airbus supply base such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower) and on-site assessments including questions to evaluate maturity on Responsibility & Sustainability. New mitigation actions in the existing supply base such as dedicated R&S Supplier assessments started to be implemented in 2018 in a trial phase with a specialist service provider.

#### B. R&S in Supplier Selection and Contracting

For the last few years, Procurement standard contracts have evolved to include clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption has been incorporated into procurement contract templates to further specify Airbus' requirements in this domain.

Furthermore, Airbus has agreed to reinforce R&S-related requirements such as those on human and labour rights along the selection and contracting phase with suppliers. In 2018 the Supplier Code of Conduct has been integrated as a new R&S annex in Airbus standard contract templates. The implementation will be rolled out according to the contractual roadmap of each purchasing commodity. During the call for tender phase, results of the R&S-related risk assessment will be used to require further supplier evaluation if deemed necessary.

To enable successful implementation, Airbus will perform training and awareness activities for its buyers in addition to the specific training that already exists in the areas of environment and ethics and compliance.

### C. R&S Supplier Evaluation and Continuous Improvement

Supplier R&S-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration of potential supplier improvement actions. In 2018 Airbus has started the supplier assessment activities in a trial phase with a specialist service provider that assesses social criteria including human and labour rights and environmental performance of 55 potentially critical suppliers in relation to R&S risks. Based on the outcome of the trial phase Airbus will define the long-term solution of regular supplier R&S-related evaluation and audits and its integration in the existing supplier assessment activities, such as supplier self-evaluation, desktop review or onsite audits. Airbus is also exploring potential solutions for the wider aerospace and defence sector via its participation to sector national associations. Clear guidance on how to manage audit results and mitigation actions are being integrated into the relevant Procurement processes.

### D. R&S in the Procurement Process

Airbus is currently assessing all Procurement processes and tools in order to integrate R&S-related requirements where relevant on top of environmental requirements, which are already largely considered. This will lead over the next years to the adaptation of Procurement process documentation managed by the Procurement strategy teams and set-up of dedicated R&S monitoring tools.

In 2018 Airbus started to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus' Procurement strategy and the embodiment of R&S compliance in supplier selection and management across the supply chain was part of the 2018 Procurement priorities for all employees. The R&S activities are discussed and reviewed by a steering committee composed of the Executive Committee of Procurement.

### c. Community Engagement

The Company recognises the importance of contributing to the development of the communities in which it operates. Airbus was created by establishing a European partnership not only on one aircraft programme but on a long term industrial project. This same spirit of cooperation drives the development of the Company's international footprint. The Company's approach to community engagement is driven by the willingness to develop a win-win cooperation with the local eco-system and often materialises through partnerships with local NGOs, institutions and other companies.

#### Local Involvement

On a country level, take Spain as an example. In addition, in 2017, the direct contribution of the Company to the GDP of Spain was just under €1.3 billion, which represents 0.12% of national GDP and 60.7% of the contribution to GDP made by the sector. In addition, the Company stands out in Spain for its contribution to quality employment. The percentage of permanent contracts exceeds the national average by 11 percent and 100% of its employees are covered by a collective agreement. The Company is also committed to training and

development of its employees, investing five times more than the national average per employee. The Company's employees receive 4 hours more training per employee than the average for the Spanish industrial sector and 11 hours more than the national average.

On a municipal level, in Toulouse in 2018, the Company continued to support regional economic, academic and institutional players to create the conditions for long-term sustainability and the development of innovation. Airbus provided answers to calls for cooperation in the areas of artificial intelligence, data management and urban mobility as well as sustainability and quality of life in the region. In terms of mobility, the partnership with Toulouse Metropole reached a new milestone in 2018 with the deployment of a car-sharing initiative on all Airbus sites. The job fair *Carnet de Vol* gathering over 650 young professionals and 80 companies and the launch of an employers' groups (GEIQ) supporting insertion and training of young professionals around digitalisation were key highlights in terms of human capital resources.

Sponsorships and donations are often meaningful ways to have a positive global impact in the communities and society at large. By leveraging its skills, know-how, expertise and passion of its employees, the Company can bring positive contributions to local communities around its sites. The Company's directive on sponsorships, donations and memberships provides a Company-wide framework to ensure its local actions are aligned with global strategy, priorities and values. While it naturally supports the local aerospace and defence community, the Company encourages initiatives around:

- Education and Youth Development (preferably in Science, Technology, Engineering and Mathematics (STEM));
- Corporate citizenship and/or local community engagement;
- Humanitarian and/or Environment;
- Innovation, R&T and Science.

In addition, the Company is an active member in several industry or other associations, and national or international advocacy organisations, such as GIFAS, World Economic Forum and Advanced Robotics for Manufacturing – ARM institute.

#### Volunteering at Airbus

In 2018, more than 5,000 employees of the Company were involved in volunteering for 97 initiatives.

The Company encourages and looks for ways to facilitate its employees' social and environmental initiatives to contribute to societal challenges in the communities around their workplaces.

For example, each week during term time, 115 employees from Airbus' Filton site in Bristol, UK, voluntarily go into local primary schools to provide valuable support in reading and maths hence contributing to SDG4.

#### The Airbus Foundation

The Airbus Foundation's goal is to support the international aid organisations in regions where the Company operates and beyond. It brings products and resources, from relief flights to satellite imagery, to the humanitarian aid community to help alleviate some of the world's most pressing challenges.

Through its Humanitarian Flight Programme, the Foundation offers Airbus customers to use the delivery of their new aircraft to contribute to humanitarian efforts. By doing so, the programme

helps the humanitarian community reduce its high logistics costs by delivering medical and school supplies, food, water sanitation equipment, toys, clothing and emergency response units to the most vulnerable around the world. The programme also utilises, where possible, Airbus flight test aircraft for such missions. Since its launch in 2008, Airbus Foundation has coordinated 66 humanitarian flights, delivering over 827 tonnes of aid in over 27 countries. Since 2012, 495 helicopters flight hours have been chartered in 15 countries, amounting to €820,000. Finally, satellite images can be used to assist humanitarian organisations in the wake of a crisis in a number of ways. In 2017, a Foundation branded satellite portal was opened, providing free of charge access to satellite imagery to selected partners with whom we have entered into partnerships, including IFRC, WFP, ACF, MSF and KRC. To date, it was responded to 15 requests for satellite imagery to help our partners make assessments following crisis or disaster situations.

Since the launch of its youth development activities in 2012, more than 11,750 young people worldwide were involved with

the aim to help them prepare for tomorrow's challenges. More than 1,980 Airbus volunteers supported these programmes. One of its flagship programmes, the Flying Challenge, focuses on young people who are at risk of dropping out of the educational system and subsequently missing training and employment opportunities. The programme has been deployed in sixteen Airbus sites across France, Germany, Spain, the UK, the US and Brazil.

With programmes like the Airbus Foundation Little Engineer (ALE) and Discovery Space (AFDS), the Foundation uses aerospace to spark an interest in STEM, facilitating the access to STEM skills for thousands of young minds around the world. In 2018, over 5,800 students participated to the ALE programme; and since its launch in May 2018, the Airbus Foundation Discovery Space digital platform has reached more than 7,000 science centres and obtained over 50,000 content views.

For more information, please refer to the latest Airbus Foundation Activity Report (available at [www.airbus.com](http://www.airbus.com)).





# 2

# 2

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

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## 2.1 Operating and Financial Review

The following discussion and analysis is derived from and should be read together with the audited IFRS Consolidated Financial Statements as of and for the years ended 31 December 2018 and 2017. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board as endorsed by the European Union, and with Part 9 of Book 2 of the Dutch Civil Code. When reference is made to “IFRS”, this intends to be EU-IFRS.

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

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

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

The Company also measures and communicates its performance on the basis of “EBIT” (reported).

### Reporting in Information Document 2018

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The Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in Section 2 of this Information Document reflects the new segment structure as described in section 2.1.1.2. The 2017 financial information has been restated to provide comparative information with respect to the new segment structure.

The Company has implemented IFRS 15 “Revenue from Contracts with Customers” on 1 January 2018. The Company has restated the comparative 2017 financial information under IFRS 15 when required.

The 2016 financial information has not been restated under IFRS 15. For comparative purposes, the 2017 financial information before the application of IFRS 15 is also presented. The financial information that has not been restated is referred to as “reported” or “as reported”, *i.e.* not restated.

In addition, the 2018 financial information has been prepared under IFRS 9 “Financial Instruments”, using the limited exemption in IFRS 9 relating to transition for classification and measurement of financial instruments and impairment. Accordingly, the Company has not restated the comparative periods.

## 2.1.1 Overview

With consolidated revenues of €63.7 billion in 2018, the Company is a global leader in aeronautics, space and related services. The Company offers the most comprehensive range of passenger airliners. The Company is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, the Company provides the most efficient civil and military

rotorcraft solutions worldwide. In 2018, it generated 84% of its total revenues in the civil sector (compared to 83% in 2017 (restated)) and 16% in the defence sector (compared to 17% in 2017 (restated)). As of 31 December 2018, the Company's active headcount was 133,671 employees, an increase compared to 2017 (129,442 employees) mainly reflecting perimeter change from acquisitions.

### 2.1.1.1 Exchange Rate Information

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

Year ended	Average		Year end	
	€/US\$	€/£	€/US\$	€/£
31 December 2016	1.1069	0.8195	1.0541	0.8562
31 December 2017	1.1297	0.8767	1.1993	0.8872
<b>31 December 2018</b>	<b>1.1810</b>	<b>0.8847</b>	<b>1.1450</b>	<b>0.8945</b>

### 2.1.1.2 Reportable Business Segments

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

- **Airbus** (formerly Airbus Commercial Aircraft and Headquarters) – Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components. It also includes the holding function of the Company and its bank activities.
- **Airbus Helicopters** – Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** – Military Aircraft design, development, delivery, and support of military aircraft such as combat, mission, transport and tanker aircraft as well as Unmanned Aerial systems and their associated services. Space Systems design, development, delivery, and support of full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Communication, Intelligence & Security provision of services around data processing from platforms, secure communication and cyber security. In addition, the main joint ventures design, develop, deliver, and support missile systems as well as space launcher systems.
- **“Transversal/Eliminations”** comprises other activities not allocable to the reportable segments, combined together with consolidation effects.

### 2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2016, 2017 and 2018

The following paragraphs present significant programme information for the past three years. Prior year figures (*i.e.* 2016 and 2017) have not been restated due to the application of IFRS 15. 2018 description includes previous year figures restated due to the application of IFRS 15.

**A380 programme.** In 2016, Airbus found an agreement with Emirates and Rolls Royce to shift six deliveries from 2017 into 2018 and from 2018 into 2019, which secured the delivery profile into 2019. 12 aircraft remained the 2018 target for deliveries. Fixed cost reduction measures were accelerated to minimise the impact on breakeven at a lower level of deliveries. A total of 28 A380s were delivered during 2016.

In 2017, Airbus delivered 15 A380 aircraft and planned to deliver 12 aircraft in 2018 and 8 aircraft in 2019. The Emirates order in February 2018 provided increased visibility on the A380 programme for the years to come. Based on that order, at a baseline of 6 deliveries per year, Airbus could produce the A380 in an industrial efficient way over the coming years. A reasonable industrial efficiency could be maintained at a baseline of 6 aircraft a year with an acceptable margin and cash dilution. As of 28 February 2018, Airbus had 331 orders for A380s, of which 222 had been delivered to 13 airlines. At that time, the A380 order book included orders for 8 customers.

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

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

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

In 2017, Airbus delivered 78 A350 XWB aircraft. The level of outstanding work in the Final Assembly Line had been significantly reduced. Despite the progress made, challenges remained with recurring cost convergence as the ramp-up continued. The A350 programme was preparing to reach the targeted monthly production rate of 10 by the end of 2018.

In 2018, Airbus has delivered 93 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2018 have been reflected in the financial statements. The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer commitments. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up continues.

**A400M programme.** Technical progress on the A400M programme resulted in the recognition of A400M-related revenues of €1.7 billion in 2016, €1.9 billion in 2017 (reported), €2.2 billion in 2017 (restated) and €2.1 billion in 2018.

In 2016, 17 A400M aircraft were delivered, resulting in 38 cumulative deliveries up to 31 December 2016. Acceptance activities of one additional aircraft were finalised at the end of December 2016, but transfer of title only took place on 1 January 2017 (corresponding revenues were recognised in 2017). Industrial efficiency and military capabilities remained a challenge for the A400M programme and furthermore, the EASA Airworthiness Directive, linked to the Propeller Gear Box ("PGB") on the engine, and various PGB quality issues strongly impacted the customer delivery programme. The first major development milestone of the mission capability roadmap defined with customers earlier in 2016 was successfully completed in June with certification and delivery of "MSN 33", the ninth aircraft for the French customer, however achievement of contractual technical capabilities remained challenging. In the first half-year 2016, management reviewed the programme evolution and estimated contract result incorporating the implications at this time of the revised engine programme and its associated recovery plan, technical issues related to the aluminium alloy used for some parts within the aircraft, recurring cost convergence issues, an updated assumption of export orders during the launch contract phase and finally

some delays, escalation and cost overruns in the development programme. During the second half-year 2016, the programme encountered further challenges to meet military capabilities and management reassessed the industrial cost of the programme, now including an estimation of the commercial exposure. As a result of these reviews, Airbus Defence and Space recorded a charge of €2,210 million in 2016 (thereof €1,026 million in the first half-year 2016). This represented the best management assessment at the time.

In 2017, 19 A400M aircraft were delivered. In total, 57 aircraft have been delivered as of 31 December 2017. In 2017, the Company continued with development activities toward achieving the revised capability roadmap. 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. The Company signed a Declaration of Intent ("DOI") with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxembourg) defining the framework for achieving a mutually binding contract amendment initially expected later in the year. The Company, European defence agency OCCAR (who is managing the A400M programme on behalf of the seven Launch Customer Nations) and the Customer Nations had agreed to work on a number of contractual elements including a revamped delivery plan as well as a roadmap for the development and completion of military capabilities for the A400M. The DOI, finalised on 7 February 2018, represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. This DOI provided a new baseline on which to evaluate the A400M contract. A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of €1,299 million (reported) for the year 2017 (restated equivalent loss following the implementation of IFRS 15 was €992 million for the year 2017). The Company's remaining exposure going forward is expected to be more limited.

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

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



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

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

**A320 programme.** In 2016, 68 aircraft on the A320neo programme were delivered to 14 customers. Both engine suppliers committed to deliver in line with customer expectations. Challenges remained with the A320neo ramp-up and delivery profile. For the Pratt & Whitney engine, challenges were to (i) meet the delivery commitments in line with agreed schedule; (ii) fix in-service maturity issues in line with Airbus and customer expectations.

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

In 2018, A320neo Family deliveries increased to 386 aircraft and represented over 60% of overall A320 Family deliveries during 2018. The first long-range A321LR was delivered in the fourth quarter. Deliveries of the Airbus Cabin Flex version of the A321 are expected to increase in 2019 although the ramp-up will remain challenging. Further upgrades of the Pratt & Whitney engine for the A320neo are due to arrive in 2019. Airbus continues to monitor in-service engine performance. Overall, the A320 programme is on track to reach the monthly targeted production rate of 60 aircraft by mid-2019 with rate 63 targeted in 2021.

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

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

In 2018, 49 A330 were delivered. On the A330neo programme, the first A330-900s were delivered and the A330-800 conducted its maiden flight in the final quarter of 2018. In 2019, A330neo deliveries are due to ramp-up. Airbus is working closely with its A330neo engine partner to deliver on customer commitments.

**A220 programme.** As of 1 July 2018, the A220 aircraft programme has been consolidated into Airbus. In 2018, the Company delivered 20 A220s. The focus is on commercial momentum, production ramp-up and cost reduction.

Generally, the Company makes estimates and provides, across the programmes, for costs related to in-service technical issues which have been identified and for which solutions have been

defined, which reflects the latest facts and circumstances. The Company is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and be considered on a case by case basis.

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

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

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

**Litigation.** For information, see “— 1.1.7 Legal and Arbitration Proceedings” and “Notes to the IFRS Consolidated Financial Statements — Note 22: Provisions, Contingent Assets and Contingent Liabilities”.

**Brexit.** In June 2018, the Company published its Brexit Risk Assessment outlining its expectation regarding the material consequences and risks for the Company arising from the UK leaving the EU without a withdrawal agreement (“No deal Brexit”). The Company has also launched a project to attempt to mitigate against the major disruptions Brexit is likely to cause to the Company's business and production activities. To date, progress has been made in mitigating these risks. However, because of the unprecedented nature of a No deal Brexit, this potential scenario would plunge the aerospace industry into unknown territory where, despite the actions the Company is taking internally (including e.g., modifying Airbus' customs systems, stockpiling of parts associated with complementary transportation and logistics means), the Company's operations and supply chain may suffer from disruptions, the nature, materiality and duration of which is impossible to predict with any level of certainty. Hence the Company is complementing its project with a crisis management plan to address and remediate foreseeable post-Brexit issues if those were to materialise.

#### 2.1.1.4 Current Trends

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

The Company's 2019 earnings and Free Cash Flow guidance is based on a constant perimeter, before M&A: Airbus targets 880 to 890 commercial aircraft deliveries in 2019. On that basis, the Company expects to deliver an increase in EBIT Adjusted of approximately +15% compared to 2018 and Free Cash Flow before M&A and Customer Financing of approximately € 4 billion.

## 2.1.2 Significant Accounting Considerations, Policies and Estimates

The Company's significant accounting considerations, policies and estimates are described in the Notes to the IFRS Consolidated Financial Statements. On 1 January 2018, the Company has implemented the new standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". As a result, the Company has changed its accounting policies for revenue recognition and for the accounting of financial instruments, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "— Note 4: Change in Accounting Policies and Disclosures".

### 2.1.2.1 Scope of and Changes in Consolidation

For further information on the scope of and changes in consolidation as well as acquisitions and disposals of interests in business, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 5: Scope of Consolidation" and "Note 6: Acquisitions and Disposals".

### 2.1.2.2 Capitalised Development Costs

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

### 2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

More than 75% of the Company's revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a smaller extent, in pounds sterling. The Company uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits, including foreign exchange derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

For further information, see "— 2.1.7 Hedging Activities", "Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 35: Information about Financial Instruments".

### 2.1.2.4 Foreign Currency Translation

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

### Currency Translation Mismatch

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

### 2.1.2.5 Accounting for Sales Financing Transactions in the Financial Statements

The accounting treatment of sales financing transactions varies based on the nature of the financing transaction and the resulting exposure. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 19: Other Investments and Other Long-Term Financial Assets", "Note 22: Provisions, Contingent Assets and Contingent Liabilities" and "Note 25: Sales Financing Transactions".

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

### 2.1.2.6 Provisions for Onerous Contracts

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

## 2.1.3 Performance Measures

### 2.1.3.1 Business Segments

#### Airbus

The following table summarises the measures for the activities of Airbus for the past three years.

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Revenue	47,970	43,486	50,958	49,237
EBIT	4,295	2,257	3,428	1,543
<i>in % of revenue</i>	9.0%	5.2%	6.7%	3.1%

#### Airbus Helicopters

The following table summarises the measures for the activities of Airbus Helicopters for the past three years.

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Revenue	5,934	6,335	6,450	6,652
EBIT	366	247	337	308
<i>in % of revenue</i>	6.2%	3.9%	5.2%	4.6%

#### Airbus Defence and Space

The following table summarises the measures for the activities of Airbus Defence and Space for the past three years.

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Revenue	11,063	10,596	10,804	11,854
EBIT	676	462	212	(93)
<i>in % of revenue</i>	6.1%	4.4%	2.0%	(0.8%)

### 2.1.3.2 Order Intake and Order Backlog

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

Up until 1 January 2018, amounts of order backlog for commercial aircraft contracts reflected in the table below are derived from catalogue prices, escalated to the expected delivery date and, to the extent applicable, converted into euro (at the corresponding hedge rate for the hedged portion of expected cash flows, and at the period-end spot rate for the non-hedged portion of expected cash flows). The amount of defence-related order backlog is equal to the contract values of the corresponding programmes. Order intake is measured under IFRS 15 principles starting on 1 January 2018.

As of 31 December 2018, the total backlog and order intake represent the aggregate amount of the net transaction price allocated to the unsatisfied and partially unsatisfied performance obligations to the Company's customers. The 2018 order backlog represents the contractual view. The value of the backlog is measured in accordance with the revenue recognition standard (IFRS 15) implemented from 1 January 2018 and reflects the recoverable amount of revenues under these contracts. As a result, contractual rebates, engine concessions variable considerations and recoverability are taken into consideration for measurement. Contracts stipulated in a currency different than the presentation currency are translated to euro using the spot rate as of 31 December 2018. Adjustments to the value of the backlog could result from changes in the transaction price. The backlog will mainly be released into revenue over a period of seven years.

The significant reduction in order backlog value is mainly due to the adjustment for net prices versus list prices. The 2018 order intake value is measured consistently with IFRS 15. Prior year figures have not been restated for IFRS 15. 2017 and 2016 figures are based on catalogue prices for commercial aircraft activities.

**Order Intake<sup>(1)</sup>**

	Year ended 31 December 2018		Year ended 31 December 2017		Year ended 31 December 2016	
	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>
Airbus	41.5	73.7%	143.4	90.3%	114.9	84.3%
Airbus Helicopters	6.3	11.3%	6.5	4.1%	6.1	4.4%
Airbus Defence and Space	8.4	15.0%	8.9	5.6%	15.4	11.3%
<b>Subtotal segmental order intake</b>	<b>56.3</b>	<b>100%</b>	<b>158.8</b>	<b>100%</b>	<b>136.4</b>	<b>100%</b>
Transversal / Eliminations	(0.8)		(1.1)		(1.9)	
<b>Total</b>	<b>55.5</b>		<b>157.7</b>		<b>134.5</b>	

(1) Without options.

(2) Before "Transversal / Eliminations".

**Order Backlog<sup>(1)</sup>**

	Year ended 31 December 2018		Year ended 31 December 2017		Year ended 31 December 2016	
	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>	(In € billion)	(In percentage) <sup>(2)</sup>
Airbus	411.7	89.1%	950.4	95.1%	1,010.2	95.0%
Airbus Helicopters	14.9	3.2%	11.2	1.1%	11.3	1.1%
Airbus Defence and Space	35.3	7.7%	37.4	3.8%	41.5	3.9%
<b>Subtotal segmental order backlog</b>	<b>461.9</b>	<b>100%</b>	<b>999.0</b>	<b>100%</b>	<b>1,063.0</b>	<b>100%</b>
Transversal / Eliminations	(2.4)		(2.1)		(2.6)	
<b>Total</b>	<b>459.5</b>		<b>996.8</b>		<b>1,060.4</b>	

(1) Without options.

(2) Before "Transversal / Eliminations".

**2018 compared to 2017.** Due to implementation of IFRS 15, no comparison in terms of value is made between 2018 and 2017. The decrease in the Company's order backlog in terms of value primarily reflects the change in measurement principles, especially the use of contractual price versus catalogue price.

Airbus' book-to-bill ratio amounted to 0.9 (calculated using units of new net orders, *i.e.* new net orders in units divided by deliveries in units). Order intake consisted of 747 net orders in 2018 (as compared to 1,109 in 2017), driven mainly by the A320 Family, which received 541 net firm orders (531 A320neo and 10 A320ceo) and including 135 A220s. Total order backlog at Airbus amounted to 7,577 aircraft at the end of 2018 (as compared to 7,265 aircraft at the end of 2017). Airbus' backlog includes CSALP. This represents a record year-end level of backlog in units, showing the underlying health of the market.

Airbus Helicopters' book-to-bill ratio was above 1 in terms of units. Airbus Helicopters received 381 net orders in 2018 (as compared to 335 in 2017). Total order backlog amounted to 717 helicopters at the end of 2018 (as compared to 692 helicopters at the end of 2017).

Airbus Defence and Space's book-to-bill ratio amounts to ~0.8 with new net orders of €8.4 billion, supported by key contract wins including the Eurofighter contract with Qatar, 4 A330 MRTT Tankers and 2 new generation telecommunication satellites.

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

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

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

Airbus Defence and Space's backlog decreased by €-4.1 billion from 2016 to €37.4 billion in 2017, reflecting a book-to-bill ratio of less than one with new net orders of €8.9 billion. Defence and Space had a book-to-bill of ~0.8. Good momentum was seen in military aircraft with the order intake including 22 light and medium transport aircraft, five A330 MRTT Tankers

and the Eurofighter contract with Kuwait. Two all-electric telecommunication satellites were booked in the fourth quarter despite a soft market environment. Airbus Defence and Space's perimeter changes had a negative impact of € 1.9 billion on the order book and € 1.5 billion on order intake.

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

	Year ended 31 December 2018		Year ended 31 December 2017		Year ended 31 December 2016	
	(In € billion) <sup>(2)</sup>	(In percentage)	(In € billion) <sup>(2)</sup>	(In percentage)	(In € billion) <sup>(2)</sup>	(In percentage)
Civil sector	420.2	91%	959.9	96%	1,020.6	96%
Defence sector	39.3	9%	36.9	4%	39.8	4%
<b>Total</b>	<b>459.5</b>	<b>100%</b>	<b>996.8</b>	<b>100%</b>	<b>1,060.4</b>	<b>100%</b>

(1) Including "Transversal / Eliminations".

### 2.1.3.3 EBIT Adjusted

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

The following table reconciles the Company's EBIT with its EBIT Adjusted.

(In € million)	Year ended 31 December 2018	Year ended 31 December 2017 as restated <sup>(1)</sup>	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
EBIT	5,048	2,665	3,421	2,258
PDP mismatch / BS revaluation	(129)	7	7	930
A380 programme	463	0	0	0
A400M business update	436	992	1,299	2,210
A350 XWB business update	0	0	0	385
Compliance costs	123	117	117	0
Plant Holdings, Inc. gain	(159)	0	0	0
ArianeGroup creation phase 2	0	0	0	(1,175)
Defence Electronics net capital gain	0	(604)	(604)	0
Dassault Aviation disposal	0	0	0	(868)
Portfolio in Airbus Defence and Space and other M&A	(29)	13	13	33
Restructuring / Transformation	8	0	0	182
Other costs	73	0	0	0
<b>EBIT Adjusted</b>	<b>5,834</b>	<b>3,190</b>	<b>4,253</b>	<b>3,955</b>

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



### 2.1.3.4 EBIT Adjusted by Business Segment

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Airbus	4,808	2,383	3,554	2,811
Airbus Helicopters	380	247	337	350
Airbus Defence and Space	935	815	872	1,002
<b>Subtotal segmental EBIT Adjusted</b>	<b>6,123</b>	<b>3,445</b>	<b>4,763</b>	<b>4,163</b>
Transversal / Eliminations	(289)	(255)	(510)	(208)
<b>Total</b>	<b>5,834</b>	<b>3,190</b>	<b>4,253</b>	<b>3,955</b>

### 2.1.3.5 EBIT by Business Segment

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Airbus	4,295	2,257	3,428	1,543
Airbus Helicopters	366	247	337	308
Airbus Defence and Space	676	462	212	(93)
<b>Subtotal segmental EBIT</b>	<b>5,337</b>	<b>2,966</b>	<b>3,977</b>	<b>1,758</b>
Transversal / Eliminations	(289)	(301)	(556)	500
<b>Total</b>	<b>5,048</b>	<b>2,665</b>	<b>3,421</b>	<b>2,258</b>

**2018 compared to 2017.** 2018 financials reflect strong operational performance and programme execution, evidenced in record deliveries at Airbus and higher revenues at Airbus Defence and Space. The Company's consolidated EBIT increased by 89.4%, from €2.7 billion for 2017 (restated) to €5.0 billion for 2018.

Airbus' EBIT increased from €2.3 billion for 2017 (restated) to €4.3 billion for 2018 reflecting the strong operational performance and record deliveries. A net charge of €463 million was recorded related to the A380 programme for the period ended at 31 December 2018. Airbus' EBIT in 2018 also included a negative impact of €123 million related to compliance costs.

Airbus Helicopters' EBIT increased from €247 million for 2017 (restated) to €366 million for 2018, reflecting higher Super Puma deliveries, a favourable mix and solid underlying programme execution.

Airbus Defence and Space's EBIT increased from €462 million for 2017 (restated) to €676 million for 2018 reflecting continued solid programme execution and contributions from its joint ventures MBDA and ArianeGroup. In 2018, it also included the impact of disposals, mainly the gain from the Plant Holdings, Inc. of €159 million. A net charge of €436 million was recorded related to the A400M programme for the period ended 31 December 2018 (2017 (restated): €992 million).

**2017 compared to 2016 (as reported).** 2017 financials reflect the perimeter changes in Airbus Defence and Space and Helicopters resulting in reduction in revenues of around €2 billion and related EBIT impact. The Company's consolidated EBIT increased by 51.5%, from €2.3 billion for 2016 to €3.4 billion for 2017.

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

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

Airbus Defence and Space's EBIT increased from €-93 million for 2016 to €212 million for 2017, reflecting a stable core business performance and solid contributions from the MBDA and ArianeGroup joint ventures. It was supported by the net capital gain of €604 million from the divestment of the defence electronics business and some further small disposal impacts. A net charge of €1,299 million was recorded related to the A400M programme for the period ended 31 December 2017 (€2,210 million for the period ended 31 December 2016). Airbus Defence and Space's EBIT in 2017 also included a negative impact of €91 million related to compliance, comprising an administrative penalty notice connected to the termination of the Eurofighter Austria investigation by the Munich Public Prosecutor. See "— 2.1.1.3 Significant Programme Developments, Restructuring and Related Financial Consequences in 2016, 2017 and 2018".

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

During 2018, cash flow hedges covering approximately US\$25.4 billion of the Company's US dollar-denominated revenues matured. In 2018, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €/US\$ 1.24, as compared to €/US\$ 1.29 in 2017. See "— 2.1.2.4 Foreign Currency Translation".

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

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## 2.1.4 Results of Operations

The following table summarises the IFRS Company's Consolidated Income Statements for the past three years:

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated <sup>(1)</sup>	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Revenue	63,707	59,022	66,767	66,581
Cost of sales	(54,920)	(52,149)	(59,160)	(61,317)
<b>Gross margin</b>	<b>8,787</b>	<b>6,873</b>	<b>7,607</b>	<b>5,264</b>
Selling and administrative expenses	(2,435)	(2,439)	(2,439)	(2,723)
Research and development expenses	(3,217)	(2,807)	(2,807)	(2,970)
Other income	1,656	981	981	2,689
Other expenses	(182)	(336)	(336)	(254)
Share of profit from investments accounted for under the equity method and other income from investments	439	393	415	252
<b>Profit before finance costs and income taxes</b>	<b>5,048</b>	<b>2,665</b>	<b>3,421</b>	<b>2,258</b>
Interest result	(232)	(328)	(328)	(275)
Other financial result	(531)	1,489	1,477	(692)
Income taxes	(1,274)	(1,462)	(1,693)	(291)
<b>Profit for the period</b>	<b>3,011</b>	<b>2,364</b>	<b>2,877</b>	<b>1,000</b>
Attributable to:				
Equity owners of the parent (Net income)	3,054	2,361	2,873	995
Non-controlling interests	(43)	3	4	5
<b>Earnings per share</b>	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Basic	3.94	3.05	3.71	1.29
Diluted	3.92	3.04	3.70	1.29

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

### 2.1.4.1 Revenues

The following table presents a breakdown of the Company's revenues by business segment for the past three years:

<i>(In € million)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017 as restated	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Airbus	47,970	43,486	50,958	49,237
Airbus Helicopters	5,934	6,335	6,450	6,652
Airbus Defence and Space	11,063	10,596	10,804	11,854
<b>Subtotal segmental revenue</b>	<b>64,967</b>	<b>60,417</b>	<b>68,212</b>	<b>67,743</b>
Transversal / Eliminations	(1,260)	(1,395)	(1,445)	(1,162)
<b>Total</b>	<b>63,707</b>	<b>59,022</b>	<b>66,767</b>	<b>66,581</b>

For 2018, revenues increased by 7.9%, from €59.0 billion for 2017 (restated) to €63.7 billion for 2018, reflecting record commercial aircraft deliveries at Airbus, and supported by Space Systems and Military Aircraft activities at Airbus Defence and Space, partly offset by the perimeter change in Airbus Helicopters.

For 2017 (as reported), revenues were stable at €66.8 billion, a 0.3% increase from €66.6 billion in 2016, as higher aircraft deliveries at Airbus were offset by the portfolio reshaping in Airbus Defence and Space and in Airbus Helicopters resulting in reduction of revenues of around €2 billion.

#### Airbus

The following table presents a breakdown of deliveries of commercial aircraft by product type for the past three years.

<i>(In units)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017	Year ended 31 December 2016
A220	20	-	-
A320 Family	626	558	545
A330	49	67	66
A350 XWB	93	78	49
A380	12	15	28
<b>Total</b>	<b>800</b>	<b>718</b>	<b>688</b>

Airbus' revenues increased by 10.3%, from €43.5 billion for 2017 (restated) to €48.0 billion for 2018. This was due to record deliveries of 800 aircraft (compared to 718 deliveries in 2017) including 93 A350 XWBs and 20 A220s supported by solid operational performance.

For 2017 (as reported), Airbus' revenues increased by 3.5%, from €49.2 billion for 2016 to €51.0 billion for 2017. This was due to record deliveries of 718 aircraft (compared to 688 deliveries in 2016) including 78 A350 XWBs and a favourable foreign exchange impact.

#### Airbus Helicopters

The following table presents a breakdown of deliveries of helicopters by product type for the past three years.

<i>(In units)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017	Year ended 31 December 2016
Light	156	166	177
Medium	137	178	165
Heavy	54	48	57
<i>thereof NH90</i>	36	40	38
Tiger	9	17	19
<b>Total</b>	<b>356</b>	<b>409</b>	<b>418</b>

Airbus Helicopters' revenues decreased by 6.3%, from €6.3 billion for 2017 (restated) to €5.9 billion in 2018. Revenues on a comparable perimeter are stable, despite lower deliveries of 356 units. The perimeter reduction following the disposal of Vector Aerospace had a negative impact of approximately €0.5 billion.

For 2017 (as reported), Airbus Helicopters' revenues decreased by 3.0%, from €6.7 billion for 2016 to €6.5 billion in 2017, reflecting lower deliveries of 409 units and lower commercial flight hours in services impacted by Super Puma grounding. The number of Heavy helicopters delivered continued to decrease in 2017, reflecting the soft Civil & Parapublic market, particularly in Oil & Gas. The disposal of Vector Aerospace had a negative perimeter change impact of around €0.1 billion.

## Airbus Defence and Space

The following table presents a breakdown of deliveries of Airbus Defence and Space by product type for the past three years.

<i>(In units)</i>	<b>Year ended 31 December 2018</b>	Year ended 31 December 2017	Year ended 31 December 2016
A400M	17	19	17
A330 MRTT (Tanker)	6	1	2
Light & Medium aircraft	6	7	14
Telecom satellites	2	4	1
<b>Total</b>	<b>31</b>	<b>31</b>	<b>34</b>

Airbus Defence and Space's revenues increased by 4.4% from €10.6 billion for 2017 (restated) to €11.1 billion in 2018, supported by Space Systems and Military Aircraft activities.

For 2017 (as reported), Airbus Defence and Space's revenues decreased by 8.9% from €11.9 billion for 2016 to €10.8 billion in 2017, reflecting the Division's perimeter changes of around €1.7 billion but were 7% higher on a comparable basis driven mainly by military aircraft. The lower number of Light & Medium aircraft delivered in 2017 is a function of lower order intake in recent years.

### 2.1.4.2 Cost of Sales

Cost of sales increased by 5.3% from €52.1 billion for 2017 (restated) to €54.9 billion for 2018. The increase was principally due to impairments and provisions recognised on the A380 programme of €1,257 million. It also included a positive impact from a lower net charge related to the A400M programme in the amount of €436 million (2017 (restated): €992 million) at Airbus Defence and Space.

For 2017 (as reported), cost of sales decreased by 3.5% from €61.3 billion for 2016 to €59.2 billion for 2017. The decrease was primarily due to a lower net charge related to the A400M programme in the amount of €1,299 million (2016: €2,210 million) and the perimeter changes at Airbus Defence and Space. In 2016 a charge of €385 million was booked for the A350 XWB programme (2017: €0 million).

### 2.1.4.3 Selling and Administrative Expenses

For 2018, selling and administrative expenses remained stable versus 2017 at €2.4 billion.

For 2017, selling and administrative expenses decreased by 10.4%, from €2.7 billion for 2016 to €2.4 billion for 2017.

### 2.1.4.4 Research and Development Expenses

Research and development expenses increased by 14.6%, from €2.8 billion for 2017 to €3.2 billion for 2018, mainly reflecting development cost on the A320neo. In addition, an amount of €91 million of development costs has been capitalised, mainly related to Airbus Helicopters programmes. See "— 2.1.2.2 Capitalised Development Costs".

For 2017, research and development expenses decreased by 5.5%, from €3.0 billion for 2016 to €2.8 billion for 2017 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus. In addition, an amount of €219 million

of development costs has been capitalised, mainly related to the A330neo and H160 programmes.

### 2.1.4.5 Other Income and Other Expenses

Other income and other expenses typically include gains and losses on disposals of investments, of fixed assets and income from rental properties.

For 2018, other income and other expenses was €1,474 million net as compared to €645 million net for 2017. In 2018, the increase is mainly related to the release of liabilities on the A380 programme and the gain of €159 million following the disposal of Plant Holdings, Inc.

For 2017, other income and other expenses was €+645 million net as compared to €+2,435 million net for 2016. In 2017, it mainly includes the capital gain of €604 million from the disposal of the defence electronics business.

### 2.1.4.6 Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

Share of profit from investments accounted for under the equity method and other income from investments principally include results from companies accounted for under the equity method and the dividends attributable to unconsolidated investments.

For 2018, the Company recorded €439 million in share of profit from investments accounted for under the equity method and other income from investments as compared to €393 million for 2017 (restated). Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 7: Investments Accounted for under the Equity Method" and "Note 12: Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments".

For 2017 (as reported), the Company recorded €415 million in share of profit from investments accounted for under the equity method and other income from investments as compared to €252 million for 2016.

### 2.1.4.7 Interest Result

Interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided by European Governments to finance R&D activities. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 14: Total Financial Result".

For 2018, the Company recorded a net interest expense of €-232 million, as compared to €-328 million for 2017. The decrease in net interest expense was principally due to lower interest expense related to the European Governments' refundable advances.

For 2017, the Company recorded a net interest expense of €-328 million, as compared to €-275 million for 2016. The difference is primarily due to lower interest expense recorded on European Governments' refundable advances in 2016.

#### 2.1.4.8 Other Financial Result

Other financial result includes the impact from the revaluation of financial instruments, the effect of foreign exchange valuation of monetary items and the unwinding of discounted provisions. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 14: Total Financial Result".

Other financial result decreased from €1,489 million for 2017 (restated) to €-531 million for 2018. This is due to a negative impact from the revaluation of financial instruments of €-732 million and foreign exchange valuation of monetary items, partly compensated by the net effect of the change of treatment of certain financial instruments under IFRS 9. In addition, in 2017 it included the impact of the refundable advances release. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other Financial Assets and Other Financial Liabilities".

For 2017 (as reported), other financial result increased from €-692 million for 2016 to €1,477 million for 2017. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of €+439 million and the revaluation of financial instruments of €+743 million. In addition, it included the impact of the decrease in the European Governments' refundable advances primarily related to the A380 programme.

#### 2.1.4.9 Income Tax

For 2018, income tax expense was €-1,274 million as compared to €-1,462 million for 2017 (restated). The decrease, despite the higher income before tax recorded in 2018 (€4,285 million) as compared to 2017 (€3,826 million (restated)), is mainly driven by a lesser volume of deferred tax asset impairment

than in 2017. The effective tax rate was 30% in 2018, mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. This was partially offset by the tax-free sale of Plant Holdings Inc. Without these impacts, the effective tax rate would be approximately 26%. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 15: Income Tax".

For 2017 (as reported), income tax expense was €-1,693 million as compared to €-291 million for 2016. The increase was primarily due to the higher income before tax recorded in 2017 (€4,570 million) as compared to 2016 (€1,291 million). The effective tax rate was 37% in 2017. It was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. It also included an additional income tax charge related to the French corporate tax 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 offset by the disposal of the defence electronics business, which is taxed at a reduced rate. Without these impacts, the effective tax rate would be approximately 26%.

#### 2.1.4.10 Non-Controlling Interests

For 2018, profit for the period attributable to non-controlling interests was €-43 million, as compared to €3 million for 2017 (restated).

#### 2.1.4.11 Profit for the Period Attributable to Equity Owners of the Parent (Net Income)

As a result of the factors discussed above, the Company recorded net income of €3,054 million for 2018, as compared to €2,361 million for 2017 (restated).

#### 2.1.4.12 Earnings per Share

Basic earnings were €3.94 per share in 2018, as compared to €3.05 per share in 2017 (restated). The number of issued shares as of 31 December 2018 was 776,367,881. The denominator used to calculate earnings per share was 775,167,941 shares (2017: 773,772,702), reflecting the weighted average number of shares outstanding during the year. In 2016, the Company reported basic earnings of €1.29 per share, based on a denominator of 773,798,837 shares.

	Year ended 31 December 2018	Year ended 31 December 2017 as restated <sup>(1)</sup>	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Profit for the period attributable to equity owners of the parent (Net income)	€3,054 million	€2,361 million	€2,873 million	€995 million
Weighted average number of ordinary shares	775,167,941	773,772,702	773,772,702	773,798,837
<b>Basic earnings per share</b>	<b>€3.94</b>	<b>€3.05</b>	<b>€3.71</b>	<b>€1.29</b>

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

Diluted earnings were €3.92 per share in 2018, as compared to €3.04 per share in 2017. The denominator used to calculate diluted earnings per share was 780,943,038 (2017: 779,301,228), reflecting the weighted average number of shares outstanding

during the year, adjusted to assume the conversion of all potential ordinary shares. In 2016, the Company reported diluted earnings of €1.29 per share, based on a denominator of 779,104,634 shares.



	Year ended 31 December 2018	Year ended 31 December 2017 as restated <sup>(1)</sup>	Year ended 31 December 2017 as reported	Year ended 31 December 2016 as reported
Profit for the period attributable to equity owners of the parent (Net income), adjusted for diluted calculation	€3,061 million	€2,368 million	€2,880 million	€1,002 million
Weighted average number of ordinary shares (diluted)	780,943,038	779,301,228	779,301,228	779,109,634
<b>Diluted earnings per share</b>	<b>€3.92</b>	<b>€3.04</b>	<b>€3.70</b>	<b>€1.29</b>

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

For further information, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 16: Earnings per Share” and “Note 32: Total Equity”.

## 2.1.5 Changes in Total Equity (Including Non-Controlling Interests)

The following table sets forth a summary of the changes in total equity for the period 1 January 2018 through 31 December 2018.

(In € million)

<b>Balance at 31 December 2017, restated<sup>(1)</sup></b>	<b>10,742</b>
Restatements <sup>(1)(2)</sup>	(8)
<b>Balance at 1 January 2018, restated<sup>(1)(2)</sup></b>	<b>10,734</b>
Profit for the period	3,011
Other comprehensive income	(3,014)
<i>thereof foreign currency translation adjustments</i>	100
Capital increase	117
Cash distribution to shareholders / Dividends paid to non-controlling interests	(1,161)
Equity transactions (IAS 27)	19
Share-based payment (IFRS 2)	62
Change in treasury shares	(49)
<b>Balance at 31 December 2018</b>	<b>9,719</b>

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

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

Please refer to the “Airbus SE IFRS Consolidated Financial Statements — IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2018 and 2017” and to the “Notes to the IFRS Consolidated Financial Statements — Note 32: Total Equity”.

### 2.1.5.1 Cash Flow Hedge Related Impact on AOCI

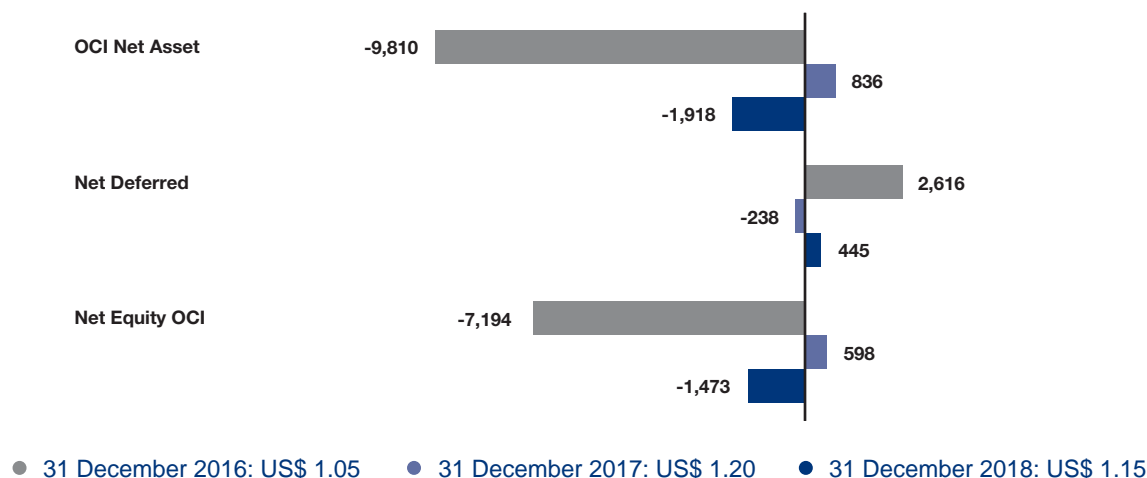
As of 31 December 2018, the notional amount of the Company's portfolio of outstanding cash flow hedges amounted to US\$81.9 billion, hedged against the euro and the pound sterling. The year-end mark to market valuation of this portfolio required under IFRS 9 (2017 under IAS 39) resulted in a negative pre-tax AOCI valuation change of €-3.0 billion as of 31 December 2018 compared to 31 December 2017, based on a closing rate of €/US\$ 1.15 as compared to a pre-tax AOCI valuation

change of €10.6 billion as of 31 December 2017 compared to 31 December 2016, based on a closing rate of €/US\$ 1.20. For further information on the measurement of the fair values of financial instruments, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 35: Information about Financial Instruments”.

Positive pre-tax mark to market values of cash flow hedges are included in other financial assets, while negative pre-tax mark to market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark to market value of effective cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark to market valuations) and deferred tax liabilities (for cash flow hedges with positive mark to market valuations).

The following graphic presents the cash flow hedge related movements in AOCI over the past three years. The mark to market of the backlog is not reflected in the accounts whereas the mark to market of the hedge book is reflected in AOCI.

CASH FLOW HEDGE RELATED MOVEMENTS IN AOCI IN € MILLION (BASED ON YEAR-END EXCHANGE RATES)



As a result of the negative change in the fair market valuation of the cash flow hedge portfolio in 2018, AOCI amounted to a net liability of €-1.9 billion for 2018, as compared to a net asset of €+0.8 billion for 2017. The corresponding €+0.7 billion tax effect led to a net deferred tax asset of €0.4 billion as of 31 December 2018 as compared to a net deferred tax liability of €-0.2 billion as of 31 December 2017.

For further information, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 35.5: Information about Financial Instruments — Derivative Financial Instruments and Hedge Accounting Disclosure”.

### 2.1.5.2 Foreign Currency Translation Adjustment Impact on AOCI

The €99 million currency translation adjustment related impact on AOCI in 2018 mainly reflects the effect of the variations of the US dollar and the pound sterling.

## 2.1.6 Liquidity and Capital Resources

The Company’s objective is to generate sufficient operating cash flow in order to invest in its growth and future expansion, honour the Company’s dividend policy and maintain financial flexibility while retaining its credit rating and competitive access to capital markets.

The Company defines its consolidated net cash position as the sum of (i) cash and cash equivalents and (ii) securities, minus (iii) financing liabilities (all as recorded in the Consolidated Statements of Financial Position). Net cash position is an alternative performance measure and an indicator that allows the Company to measure its ability to generate sufficient liquidity to invest in its growth and future expansion, honour its dividend policy and maintain financial flexibility. The net cash position as of 31 December 2018 was €13.3 billion (€13.4 billion as of 31 December 2017).

The liquidity is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2018 with no financial covenants, as well as a Euro Medium Term Note programme and commercial paper programme. See “— 2.1.6.3 Consolidated Financing Liabilities” and please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash – Financial Liabilities” and “Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management”. The factors affecting the Company’s cash position, and consequently its liquidity risk, are discussed below.

For information on Airbus SE’s credit ratings, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 33: Capital Management” and see “— 2.1.6.1: Cash Flows”.

### 2.1.6.1 Cash Flows

The Company generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, risk-sharing partnerships with subcontractors and European Governments' refundable advances. In addition, the Company's military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets.

The following table sets forth the variation of the Company's consolidated net cash position over the periods indicated.

<i>(In € million)</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Net Cash position at 1 January</b>	<b>13,391</b>	<b>11,113</b>	<b>10,003</b>
Gross cash flow from operations <sup>(1)</sup>	5,515	4,451	3,565
Changes in other operating assets and liabilities (working capital) <sup>(2)</sup>	(633)	266	346
<i>thereof customer financing</i>	79	(100)	(252)
Cash used for investing activities <sup>(3)</sup>	(1,377)	(982)	(730)
<i>thereof industrial capital expenditures</i>	(2,285)	(2,558)	(3,060)
<b>Free Cash Flow<sup>(4)</sup></b>	<b>3,505</b>	<b>3,735</b>	<b>3,181</b>
<i>thereof M&amp;A transactions</i>	514	886	2,025
<i>Free Cash Flow before M&amp;A<sup>(5)</sup></i>	<i>2,991</i>	<i>2,849</i>	<i>1,156</i>
Cash flow from customer financing (net)	79	(100)	(252)
<i>Free Cash Flow before customer financing</i>	<i>3,426</i>	<i>3,835</i>	<i>3,433</i>
<b>Free Cash Flow before M&amp;A and customer financing</b>	<b>2,912</b>	<b>2,949</b>	<b>1,408</b>
Cash distribution to shareholders / non-controlling interests	(1,161)	(1,046)	(1,012)
Contribution to plan assets of pension schemes	(2,519)	(458)	(290)
Changes in capital and non-controlling interests	117	83	60
Change in treasury shares / share buyback	(49)	0	(736)
Others	(3)	(36)	(93)
<b>Net Cash position at 31 December</b>	<b>13,281</b>	<b>13,391</b>	<b>11,113</b>

(1) Represents cash used for operating activities, excluding (i) changes in other operating assets and liabilities (working capital), (ii) contribution to plan assets of pension schemes and (iii) realised foreign exchange results on treasury swaps (€-45 million in 2018, €185 million in 2017, €-151 million in 2016). It is an alternative performance measure and an indicator used to measure its operating cash performance before changes in working capital.

(2) Excluding reclassification of certain trade liabilities.

(3) Does not reflect change in securities (net investment of €-93 million in 2018, net investment of €-1,233 million in 2017, net investment of €337 million in 2016), which are classified as cash and not as investments solely for the purposes of this net cash presentation. Excluding bank activities.

(4) Does not reflect change of securities, change in cash from changes in consolidation, contribution to plan assets of pension schemes and realised foreign exchange results on treasury swaps. Excluding bank activities. Free Cash Flow is an alternative performance measure and indicator that reflects the amount of cash flow generated from operations after cash used in investing activities.

(5) Free Cash Flow before M&A refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and indicator that reflects Free Cash Flow excluding those cash flows from the disposal and acquisition of businesses.

The net cash position as of 31 December 2018 was stable at €13.3 billion, a 0.8% decrease from 31 December 2017. The increase in gross cash flow from operations (€5.5 billion), was offset by the contributions to plan assets of pensions schemes (€-2.5 billion), the cash used for investing activities (€-1.4 billion) and the cash distribution to shareholders / non-controlling interests (€-1.2 billion).

#### Gross Cash Flow from Operations

Gross cash flow from operations is an alternative performance measure and an indicator used by the Company to measure its operating cash performance before changes in working capital. Gross cash flow from operations increased to €5.5 billion for 2018, which reflects the strong EBIT Adjusted.

#### Changes in Other Operating Assets and Liabilities

Changes in other operating assets and liabilities is comprised of inventories, trade receivables, contract assets and contract liabilities (including customer advances), trade liabilities, and other assets and other liabilities. They resulted in a negative working capital variation of €-0.6 billion for 2018, versus a positive impact of €+0.3 billion for 2017.

In 2018, the contributors to the negative working capital variation were the change in trade receivables (€-0.9 billion), the change in other assets and liabilities (€-0.7 billion), the change in contract assets and contract liabilities (€-0.7 billion), and the change in inventories (€-0.7 billion). This was partially compensated by the increase in trade liabilities (€2.3 billion) due to favourable payment terms to suppliers.

**European Governments' refundable advances.** As of 31 December 2018, total European Governments' refundable advances liabilities, recorded on the statement of financial position in the line items "non-current other financial liabilities" and "current other financial liabilities" due to their specific nature, amounted to €4.6 billion, including accrued interest.

European Governments' refundable advances (net of reimbursements) decreased in 2018, primarily related to the update of the measurement of refundable advances from European Governments on the A380 programme. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 10: Revenue and Gross Margin" and "Note 23: Other Financial Assets and Other Financial Liabilities".

### Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) M&A transactions and (iii) others.

**Capital expenditures.** Capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €-2.3 billion for 2018 as compared to €-2.6 billion for 2017 and €3.1 billion for 2016. The lower capital expenditures in 2018 demonstrate the Company's sound approach to capital allocation and supports the current production rates. In 2018, it related to Airbus programmes of €-1.6 billion (among others for the Beluga XL, and the ramp-up phase of the A320 Family and the A350 XWB) and additional projects in the Divisions of €-0.7 billion. Capital expenditures include product-related development costs that are capitalised in accordance with IAS 38. See "— 2.1.2.2 Capitalised development costs".

**M&A transactions.** In 2018, the €0.5 billion figure includes net proceeds from the disposal of Plant Holdings, Inc. and Compañía Española de Sistemas Aeronáuticos, S.A. ("CESA"). Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 6: Acquisitions and Disposals".

In 2017, the €0.9 billion figure includes net proceeds of around €600 million from the defence electronics disposal and around €400 million from the Vector Aerospace sale.

### Free Cash Flow

The Company defines Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes, (v) realised foreign exchange results on treasury swaps and (vi) Airbus Bank activities. It is an alternative performance measure and key indicator that is important in order to measure the amount of cash flow generated from operations after cash used in investing activities. As a result of the factors discussed above, Free Cash Flow amounted to €3.5 billion for 2018 as compared to €3.7 billion for 2017 and €3.2 billion for 2016.

### Free Cash Flow before M&A

Free Cash Flow before mergers and acquisitions refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and key indicator that reflects Free Cash Flow excluding those cash flows resulting from acquisitions and disposals of businesses.

### Free Cash Flow before M&A and Customer Financing

Free Cash Flow before M&A and customer financing refers to Free Cash Flow before mergers and acquisitions adjusted for cash flow related to aircraft financing activities. It is an alternative performance measure and indicator that may be used from time to time by the Company in its financial guidance, especially when there is higher uncertainty around customer financing activities.

### Change in Treasury Shares

Change in treasury shares for 2018 amounted to €-49 million. In 2017, there was no change in treasury shares. Change in treasury shares for 2016 amounted to €0.7 billion, which was mostly related to the share buyback programme that took place between 2 November 2015 and 30 June 2016. As of 31 December 2018 and 2017, the Company held 636,924 and 129,525 treasury shares, respectively.

### Contribution to Plan Assets of Pension Schemes

The cash outflows of €-2.5 billion, €-0.5 billion and €-0.3 billion in 2018, 2017 and 2016, respectively, primarily relate to a contribution to the Contractual Trust Arrangement ("CTA") for allocating and generating pension plan assets in accordance with IAS 19, as well as to plan assets in the UK and to German benefit funds. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans".

### 2.1.6.2 Cash and Cash Equivalents and Securities

The cash and cash equivalents and securities portfolio of the Company is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management".

The Company has a partially automated cross-border and domestic cash pooling system in all countries with major group presence and whenever country regulations allow such practice (among others this includes mainly France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances Management's ability to assess reliably and instantaneously the cash position of each subsidiary within the Company and enables Management to allocate cash optimally within the Company depending upon shifting short-term needs.

### 2.1.6.3 Financing Liabilities

The outstanding balance of the Company's consolidated financing liabilities decreased from €11.2 billion as of 31 December 2017 to €8.9 billion as of 31 December 2018. The decrease is mainly due to early settlement of liabilities to financial institutions with the European Investment Bank ("EIB") and the Development Bank of Japan ("DBJ"), and to the settlement of a Euro Medium Term Note ("EMTN") bond in September 2018. For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net Cash — Financing Liabilities".

### 2.1.6.4 Sales Financing

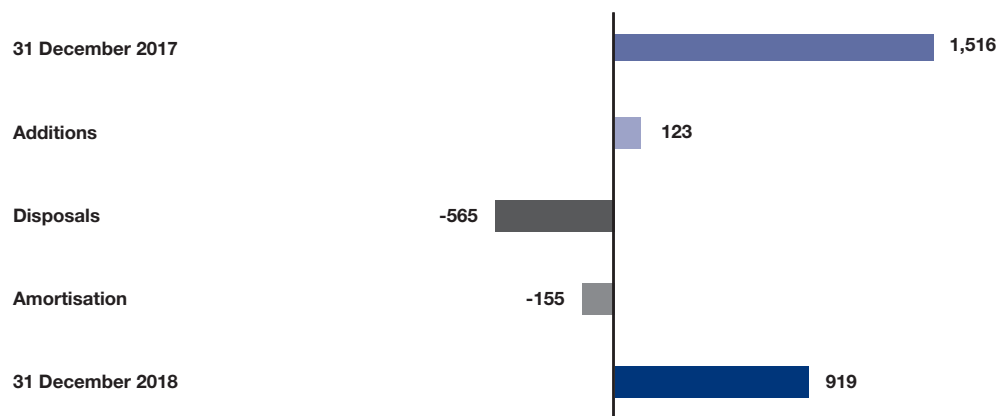
The Company favours cash sales and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products. However, in order to support product sales, primarily at Airbus and Airbus Helicopters, the Company may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties.

The financial markets remain unpredictable, which may cause the Company to increase its future outlays in connection with customer financing of commercial aircraft and helicopters,

mostly through finance leases and secured loans and if deemed necessary through operating lease structures. Nevertheless, the Company intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total finance and asset value exposure of the Company and its evolution in terms of quality, volume and intensity of cash requirements. The Company aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

#### EVOLUTION OF AIRBUS GROSS EXPOSURE DURING 2018 IN US\$ MILLION



Airbus gross customer financing exposure as of 31 December 2018 is distributed over 38 aircraft, operated at any time by approximately 11 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. More than 90% of Airbus gross customer financing exposure is distributed over 7 countries (this excludes backstop commitments).

Over the last three years (2016 to 2018), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to less than 1% of the average

number of deliveries over the same period, *i.e.* 4 aircraft financed per year out of 735 deliveries per year on average.

Airbus Helicopters' gross customer financing exposure amounted to € 109 million as of 31 December 2018. This exposure is distributed over 62 helicopters, operated by approximately 6 companies.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 25: Sales Financing Transactions".

## 2.1.7 Hedging Activities

More than 75% of the Company's revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that the Company does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro.

As the Company intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, the Company uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT.

For further information on the Company's hedging strategies in response to its particular exposures as well as a description of its current hedge portfolio, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management" and "Note 35.4: Notional Amounts of Derivative Financial Instruments".



## 2.2 Statutory Auditor Fees

Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 37: Auditor Fees".

## 2.3 Information Regarding the Statutory Auditor

	Date of first appointment	Expiration of current term of office <sup>(1)</sup>
<b>Ernst &amp; Young Accountants LLP</b> Boompjes 258 – 3011 XZ Rotterdam Postbus 488 – 3000 AL Rotterdam The Netherlands Represented by A.A. van Eimeren	28 April 2016	10 April 2019

(1) A resolution will be submitted to the Annual General Meeting of Shareholders in 2019, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2019 financial year.

**Ernst & Young Accountants LLP** has a licence from the AFM to perform statutory audits for Public Interest Entities and its representative is member of the NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants – the Royal Netherlands Institute of Chartered Accountants*). *The NBA is the professional body for accountants in the Netherlands.*



# 3

# 3

## General Description of the Company and its Share Capital

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## 3.1 General Description of the Company

### 3.1.1 Commercial and Corporate Names, Seat and Registered Office

**Commercial Name:** Airbus

**Seat (*statutaire zetel*):** Amsterdam

**Statutory Name:** Airbus SE

**Tel:** +31 (0)71,5245,600

**Registered Office:** Mendelweg 30, 2333 CS Leiden, The Netherlands

**Fax:** +31 (0)71,5232,807

### 3.1.2 Legal Form

The Company is a European public company (*Societas Europaea*), with its corporate seat in Amsterdam, The Netherlands and registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945. As a company operating worldwide, the Company is subject to, and operates under, the laws of each country in which it conducts business.

### 3.1.3 Governing Laws and Disclosures

The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code and the Dutch Corporate Governance Code) and by its Articles of Association (the “**Articles of Association**”).

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the “**WFT**”). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

#### 3.1.3.1 Periodic Disclosure Obligations

Pursuant to Directive 2004 / 109 / EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended, the “**Transparency Directive**”), the Company is required to disclose certain periodic and ongoing information (the “**Regulated Information**”).

Pursuant to the Transparency Directive, the Company must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, the Company may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. The Company must then ensure that Regulated Information remains publicly available for at least 10 years.

Finally, Regulated Information must be made available for central storage by a mechanism that is officially designated by the Company’s home Member State.

#### Dutch Regulations

For the purpose of the Transparency Directive, supervision of the Company is effected by the Member State in which it maintains its corporate seat, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by the Company in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, the Company is subject to a number of periodic disclosure requirements, such as:

- publishing an Annual Financial Report, together with an audit report drawn up by the Statutory Auditors, within four months after the end of each financial year; and
- publishing a semi-Annual Financial Report, within three months after the end of the first six months of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company’s shareholders, its audited annual financial statements (including the consolidated ones), the management report, the Auditors’ report and other information related to the financial statements.

#### French Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in France the same information as that provided abroad.



### German Regulations

Due to the listing of the Company's shares in the *Prime Standard* sub-segment of the Regulated Market (*regulierter Markt*) of the Frankfurt Stock Exchange, the Company is subject to certain post-listing obligations as described below. The Company is included *inter alia* in the selection index MDAX, the MidCap index of *Deutsche Börse AG*.

Pursuant to the Exchange Rules (*Börsenordnung*) of the Frankfurt Stock Exchange, the Company is required to publish consolidated annual and semi-annual financial statements as well as consolidated quarterly reports which may be prepared in English only. In addition, pursuant to the Exchange Rules, the Company is required to publish a financial calendar at the beginning of each financial year in German and English. The Company is also required to hold an analysts' meeting at least once per year in addition to the press conference regarding the annual financial statements.

### Spanish Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in Spain the same information as that provided abroad.

#### 3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular "inside information" as defined pursuant to Article 7 of EU Regulation No. 596 / 2014 on market abuse (the "**Market Abuse Regulation**" or "**MAR**"). Such information must be disseminated throughout the European Community (see introduction to section "— 3.1.3.1 Periodic Disclosure Obligations").

Inside information consists of information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such delay would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

### Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, the Company must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. The Company will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire Airbus shares.

### French Regulations

Any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

### German Regulations

Any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.

### Spanish Regulations

Any inside information as defined above will be disclosed simultaneously in Spain by notifying it to the CNMV which shall, in turn, make it public through its webpage.

Any other information of a financial or corporate nature which the Company is required by law to make public in Spain or which the Company deems necessary to disclose to investors shall be also notified to the CNMV which shall also publish it through its webpage.

Pursuant to the Spanish securities rules and regulations, the Company is also required to make available to shareholders and file with the CNMV a Corporate Governance Report in the Spanish language or in a language customary in the sphere of international finance on an annual basis.

## 3.1.4 Date of Incorporation and Duration of the Company

The Company was incorporated on 29 December 1998 for an unlimited duration.

## 3.1.5 Objects of the Company

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Pursuant to its Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in:

- the aeronautic, defence, space and/or communication industry; or
- activities that are complementary, supportive or ancillary thereto.

## 3.1.6 Commercial and Companies Registry

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The Company is registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945.

## 3.1.7 Inspection of Corporate Documents

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The Articles of Association are available for inspection in Dutch at the Chamber of Commerce.

In France, the Articles of Association are available at the operational headquarters of the Company (2, rond-point Emile Dewoitine, 31700 Blagnac, France, Tel.: +33 5 81 31 75 00).

In Germany, the Articles of Association are available at the Munich office of the Company (Willy-Messerschmitt-Strasse 1, 82024 Ottobrunn, Germany, Tel.: +49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the Madrid office of the Company (Avenida de Aragón 404, 28022 Madrid, Spain, Tel.: +34 91,585 70 00).

## 3.1.8 Financial Year

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The financial year of the Company starts on 1 January and ends on 31 December of each year.

## 3.1.9 Allocation and Distribution of Income

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### 3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the shareholders' meeting.

The shareholders' meeting may resolve (if so proposed by the Board of Directors) that all or part of a distribution on shares shall be paid in Airbus shares or in the form of assets as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends, interim dividends or other distributions shall be payable on such date(s) as determined by the Board of Directors.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

The persons entitled to a dividend, interim dividend or other distribution shall be the shareholders as at a record date to be determined by the Board of Directors for that purpose, which date may not be a date prior to the date on which such dividend, interim dividend or other distribution is declared.

### 3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.

## 3.1.10 General Meetings

### 3.1.10.1 Calling of Meetings

Shareholders' meetings are held as often as the Board of Directors deems necessary, when required under the Dutch Civil Code (as a result of a decrease of the Company's equity to or below half of the Company's paid up and called up capital) or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company. The AGM of Shareholders of the Company is held within six months of the end of the financial year.

The Board of Directors must give notice of shareholders' meetings through publication of a notice on the Company's website ([www.airbus.com](http://www.airbus.com)), which will be directly and permanently accessible until the shareholders' meeting. The Company must comply with the statutory rules providing for a minimum convening period, which currently require at least 42 days of notice. The convening notice must state the items required under Dutch law.

Shareholders' meetings are held in Amsterdam, The Hague, Rotterdam or Haarlemmermeer (Schiphol Airport). The Board of Directors may decide that shareholders' meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the AGM of Shareholders at least 10 weeks before the Meeting. A matter which one or more shareholders or other parties with meeting rights collectively representing at least the statutory threshold (which is currently 3% of the issued share capital) have requested in writing to be put on the agenda for a General Meeting of Shareholders shall be included in the convening notice or shall be announced in the same fashion, if the substantiated request or a proposal for a resolution is received by the Company no later than the 60<sup>th</sup> day before the general meeting. When exercising the right to put a matter on the agenda for a General Meeting of Shareholders, the respective shareholder or shareholders are obliged to disclose their full economic interest to the Company. The Company must publish such disclosure on its website.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in "writing" is understood to include a request that is recorded electronically.

### 3.1.10.2 Right to Attend Shareholders' Meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. See "— 3.1.10.4 Conditions of Exercise of Right to Vote". However, under (and subject to the terms of) the Articles of Association these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders' meeting, can be represented by more than one proxy holder, provided that only one proxy holder can exercise the rights attached to each share.

The persons who have the right to attend and vote at shareholders' meetings are those who are on record in a register designated for that purpose by the Board of Directors on the registration date referred to in the Dutch Civil Code which is currently the 28<sup>th</sup> day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

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

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

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

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings in such circumstances and subject to such conditions as determined by the Board of Directors.

### 3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any shareholders' meeting to be held except as required under applicable law for a very limited number of resolutions of an extraordinary nature. Dutch law requires a special majority for the passing of certain resolutions: *inter alia*, capital reduction, exclusion of pre-emption rights in connection with share issues, statutory mergers or statutory de-mergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the shareholders' meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve the Company may only be adopted with a majority of at least two-thirds of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting, and resolutions to amend certain provisions of the Articles of Association may only be adopted with a majority of at least 75% of the valid votes cast at a shareholders' meeting, whatever the quorum present at such meeting.

#### 3.1.10.4 Conditions of Exercise of Right to Vote

In all shareholders' meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of the Company – as set forth in “— 3.3.2 Relationships with Principal Shareholders” – do not enjoy different voting rights from those of the other shareholders.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a

pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

According to the Articles of Association, no vote may be cast at the General Meeting on a share that is held by the Company or a subsidiary, nor for a share in respect of which one of them holds the depository receipts. Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.

### 3.1.11 Disclosure of Holdings

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an (actual or deemed) interest in the capital, voting rights or gross short position of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person whose interest in the capital, voting rights or gross short position in the Company meets, exceeds or falls below one or several of the above-mentioned thresholds due to a change in the Company's outstanding capital, or in voting rights attached to the shares as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the notification by the Company. Among other things, the Company is required to notify the AFM immediately if its outstanding share capital or voting rights have changed by 1% or more since the Company's previous notification. Additional disclosure and/or publication obligations apply under European regulations for net short positions in respect of the Company.

If at the end of a calendar year the composition of a shareholder's holding differs from its previous disclosure as a result of the conversion of certain types of securities or following the exercise of rights to acquire voting rights, this shareholder must then provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website ([www.afm.nl](http://www.afm.nl)).

Pursuant to the Articles of Association, shareholders must notify the Company when meeting or crossing the thresholds above. The Articles of Association also contain disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds.

Under the Articles of Association, the disclosure obligations of shareholders are enhanced in several ways beyond what is required under the WFT, including by requiring the disclosure of additional information, tying the disclosure obligations to a broader range of interests in the capital or voting rights of the Company and by requiring a shareholder to notify the Company if his or her interest reaches, exceeds or falls below the Mandatory Disposal Threshold (as defined below) or if the interest of a shareholder (alone or a member of a concert) which is above such Mandatory Disposal Threshold changes in its composition, nature and/or size.

Failure to comply with the legal obligation to notify a change in shareholding under the WFT is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights. Failure to comply with a notification under the Articles of Association can lead to a suspension of meeting and voting rights.

#### Disclosure Requirements for Members of the Board of Directors and the Executive Committee

##### Disclosure of Holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, Members of the Board of Directors must report to the AFM the number of shares in the Company and attached voting rights<sup>(1)</sup> held by him or an entity controlled by him, within two weeks following his appointment as Director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any Member of the Board of Directors is required to notify the AFM of any changes in such number of shares in the Company and attached voting rights.

(1) In this context, the term “shares” also includes for example depository receipts for shares and rights resulting from an agreement to acquire shares or depository receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term “voting rights” also includes actual or contingent rights to voting rights (e.g., embedded in call options, warrants or convertible bonds).

### Disclosure of Transactions Carried Out on Any Securities Issued by the Company

Based on the Market Abuse Regulation, certain persons discharging managerial or supervisory responsibilities within the Company as well as persons closely associated with them (together “**Insiders**”, as defined below), are required to notify the Company and the AFM within three trading days of all transactions conducted for their own account involving shares of the Company, or derivatives or other financial instruments related to such shares, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

“Insiders” for the Company include (i) Members of the Board of Directors and the Executive Committee of the Company as well as certain other senior executives who are not members of these bodies and who have regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, life partners or any partner considered by national law as equivalent to the spouse, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships

whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

The Company has adopted specific internal insider trading rules (the “**Insider Trading Rules**”) in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. The Insider Trading Rules are available on the Company’s website, and provide in particular that: (i) all employees and Directors are prohibited from conducting transactions in the Company’s shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in the Company’s shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules.

Pursuant to the Market Abuse Regulation, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information.

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## 3.1.12 Mandatory Disposal

### 3.1.12.1 Notification Requirements and Mandatory Disposal Threshold Restricting Ownership to 15%

Under the Articles of Association, each shareholder must notify the Company when it (or another party in respect of its interest in the Company) must make a notification to the AFM of a substantial interest or short position with respect to the Company, when its interest (alone or with concert parties) reaches or crosses the Mandatory Disposal Threshold (as defined below) or, subject to certain conditions and exemptions, when changes occur in the composition, nature and/or size of any interest held it or its concert parties in excess of the Mandatory Disposal Threshold (as defined below). Failure to comply with these obligations may, subject to a prior notification by the Company, result in the suspension of voting and attendance rights until the shareholder has complied with its obligations.

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the “**Mandatory Disposal Threshold**”). An interest (“**Interest**”) includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone’s disposal pursuant to the WFT, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks after such notification by the Company. Upon receipt of such notification, the voting, attendance and dividend rights attached to the Excess Shares shall be suspended. The same applies to concerts of shareholders and other persons

who together hold an interest exceeding the Mandatory Disposal Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, the voting, attendance and dividend rights attached to all shares held by such shareholder or concert shall be suspended, and their Excess Shares would be transferred to a Dutch law foundation (“*Stichting*”), which can, and eventually must, dispose of them. The suspension of shareholder rights described above shall be lifted once a shareholder or concert complies with its obligations under the Articles of Association. The Dutch law foundation would issue depository 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 depository receipt holders provide, *inter alia*, that:

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see “— 3.1.12.2 Exemptions from Mandatory Disposal Threshold”) and any holder of depository receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation’s expenses and indemnify the Board Members against liability);
- the Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);



- the foundation has no discretion as to the exercise of voting rights attached to any of the Company shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- no transfer of a depositary receipt can be made without the prior written approval of the foundation's Board.

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

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

### 3.1.12.2 Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Airbus shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on 2 April 2013 (the "**Exemption Date**"), which is the date of first implementation of the Mandatory Disposal Threshold.

Different grandfathering regimes apply to such shareholders and concerts, depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that: (i) the specific exemption in Article 16.1.b of the Articles of Association applies to Société de Gestion de Participations Aéronautiques ("**Sogepa**"), as it held more than 15% of the outstanding Company voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in Article 16.1.c applies to the concert among Sogepa, Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**") and Sociedad Estatal de Participaciones Industriales ("**SEPI**"), as they held more than 15% of the outstanding Company voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

## 3.1.13 Mandatory Offers

### 3.1.13.1 Takeover Directive

The Directive 2004 / 25 / EC on takeover bids (the "**Takeover Directive**") sets forth the principles governing the allocation of laws applicable to the Company in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by the Company from among the various market authorities supervising the markets where its shares are listed.

For the Company, matters relating to, *inter alia*, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by the Company at a future date.

Matters relating to the information to be provided to the employees of the Company and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a

bid, the conditions under which the Board of Directors of the Company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see "– 3.1.13.2 Dutch Law").

### 3.1.13.2 Dutch Law

In accordance with the Dutch act implementing the Takeover Directive (the "**Takeover Act**"), shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such term is defined in the Takeover Act), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the Takeover Act came into force, already held – individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new Member of the concert can be exempted if it satisfies certain conditions.

## 3.2 General Description of the Share Capital

### 3.2.1 Issued Share Capital

As of 31 December 2018, the Company's issued share capital amounted to € 776,367,881, consisting of 776,367,881 fully paid-up shares of a nominal value of € 1 each.

### 3.2.2 Authorised Share Capital

As of 31 December 2018, the Company's authorised share capital amounted to € 3 billion, consisting of 3 billion shares of € 1 each.

### 3.2.3 Modification of Share Capital or Rights Attached to the Shares

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

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for (i) shares issued for consideration other than cash, (ii) shares issued to employees of Airbus and (iii) shares issued pursuant to a previously granted right to subscribe for those shares. For the contractual position as to pre-emption rights, see "— 3.3.2 Relationships with Principal Shareholders".

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

However, the Articles of Association provide that the shareholders' meeting is not authorized to pass any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of € 500 million per share issuance, and no preferential subscription rights exist in respect thereof (by virtue of Dutch law, or because they have been excluded by the competent corporate body). The same limitation applies if the shareholders' meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights. These limitations in the Articles of Association can only be changed by the shareholders' meeting with a 75% voting majority.

Pursuant to the shareholders' resolutions adopted at the AGM held on 11 April 2018, the powers to issue shares and to grant rights to subscribe for shares and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. employee Share Ownership Plans and share-related Long-Term Incentive Plans, provided that such powers shall be limited to 0.14% of the Company's authorised share capital; and
2. funding the Company and any of its subsidiaries, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2019, and shall not extend to issuing shares or granting rights to subscribe for shares if (i) there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of € 500 million per share issuance.

At the AGM held on 11 April 2018, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital, and at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders' meeting may reduce the issued share capital by cancellation of shares, or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders'

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

At the AGM held on 11 April 2018, the Board of Directors and the Chief Executive Officer were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

### 3.2.4 Securities Granting Access to the Company's Share Capital

Except for convertible bonds (See "— Corporate Governance — 4.3.3 Long-Term Incentive Plans" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Financing liabilities"), there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the convertible bonds issued as of 31 December 2018 were exercised:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights <sup>(1)</sup>
Total number of Company shares issued as of 31 December 2018	776,367,881	99.357%	775,730,957	99.357%
Total number of Company shares which may be issued following exercise of the convertible bonds	5,022,990	0.643%	5,022,990	0.643%
<b>Total potential Company share capital</b>	<b>781,390,871</b>	<b>100%</b>	<b>780,753,947</b>	<b>100%</b>

(1) The potential dilutive effect on capital and voting rights of the exercise of these convertible bonds may be limited as a result of the Company's share repurchase programmes and in the case of subsequent cancellation of repurchased shares. See "— 3.3.7.1 Dutch law and information on share repurchase programmes".

### 3.2.5 Changes in the Issued Share Capital

Date	Nature of Transaction	Nominal value per share	Number of shares issued / cancelled	Premium <sup>(1)</sup>	Total number of issued shares after transaction	Total issued capital after transaction
20 June 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	47,648,691	-	779,719,254	€779,719,254
29 July 2013	Issue of shares for the purpose of an employee offering	€1	2,113,245	€57,580,650	781,832,499	€781,832,499
27 September 2013	Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013	€1	3,099,657	-	778,732,842	€778,732,842
27 September 2013	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 29 May 2013	€1	2,448,884	-	776,283,958	€776,283,958
In 2013	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	6,873,677	€176,017,918	783,157,635	€783,157,635
In 2014	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	1,871,419	€50,619,684	784,780,585	€784,780,585
In 2015	Cancellation of shares upon authorisation granted by the Annual Shareholders' Meeting held on 27 May 2015	€1	2,885,243	-	785,333,784	€785,333,784
In 2015	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	1,910,428	-	785,344,784	€785,344,784
In 2016	Cancellation of treasury shares	€1	14,131,131	-	771,213,653	€771,213,653
In 2016	Issues of shares for the purpose of an employee offering	€1	1,474,716	-	772,688,369	€772,688,369
In 2016	Issue of shares following exercise of options granted to employees <sup>(2)</sup>	€1	224,500	-	772,912,869	€772,912,869
In 2017	Issues of shares for the purpose of an employee offering	€1	1,643,193	-	774,556,062	€774,556,062
In 2017	Issues of shares for the purpose of an employee offering	€1	1,643,193	-	774,556,062	€774,556,062
In 2018	Issues of shares for the purpose of an employee offering	€1	1,811,819	-	776,367,881	€776,367,881

(1) The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.

(2) For information on Stock Option Plans under which these options were granted to the Company's employees, see "— Corporate Governance — 4.3.3 Long-Term Incentive Plans".

In the course of 2018, a total number of 1,811,819 new shares were issued, all in the framework of the Employee Share Ownership Plan ("ESOP"). During 2018, (i) the Company repurchased 507,399 shares and (ii) none of the treasury shares were cancelled. As a result, as at 31 December 2018, the Company held 636,924 treasury shares.

## 3.3 Shareholdings and Voting Rights

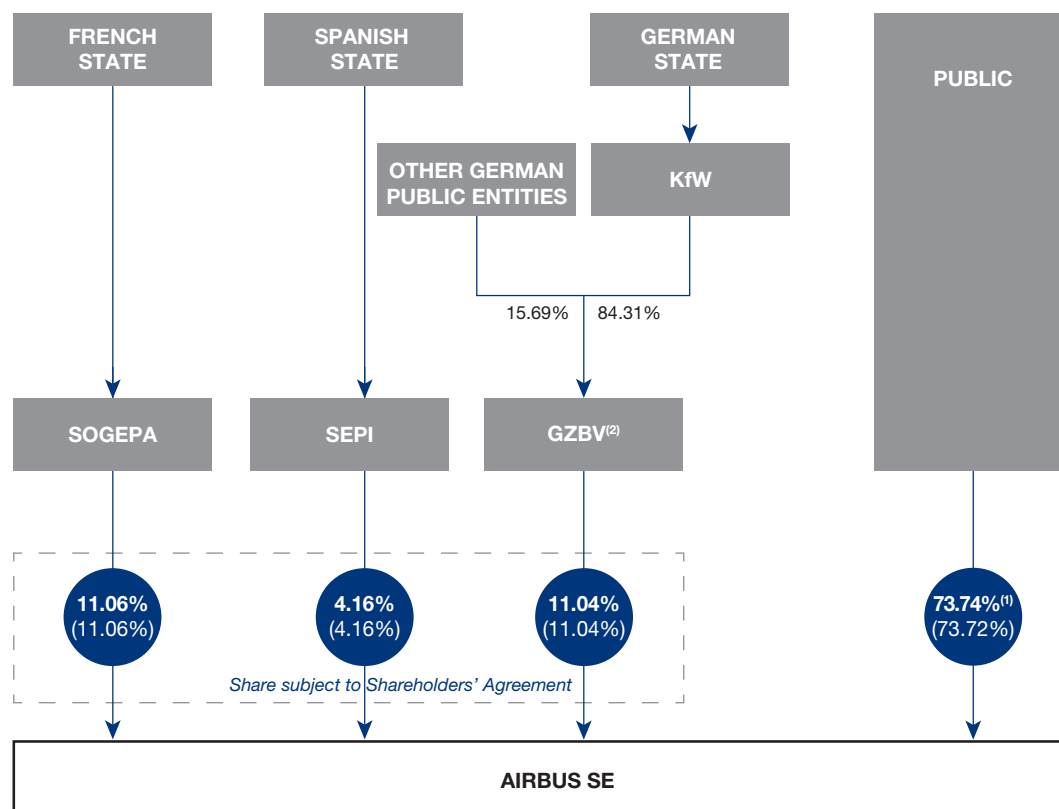
### 3.3.1 Shareholding Structure at the End of 2018

As of 31 December 2018, the French State held 11.06% of the outstanding Company shares through Sogepa, the German State held 11.04% through GZBV, a subsidiary of Kreditanstalt für Wiederaufbau (“KfW”), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, and the Spanish State held 4.16% through SEPI. The public (including the

Company’s employees) and the Company held, respectively, 73.66% and 0.08% of the Company’s share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2018 (% of capital and of voting rights (in parentheses) before exercise of the convertible bonds). See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans”.

OWNERSHIP STRUCTURE OF AIRBUS SE AS OF 31 DECEMBER 2018



(1) Including shares held by the Company itself (0.08%).  
(2) KfW & other German public entities.

In 2018, no listed entities have notified the AFM of their substantial interest in the Company. For further details, please refer to the website of the AFM at: [www.afm.nl](http://www.afm.nl).

As of 31 December 2018, the Company held, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 636,924 of its own shares, equal to 0.08% of issued share capital. The treasury shares owned by the Company do not carry voting rights.

For the number of shares and voting rights held by Members of the Board of Directors and Executive Committee, see “— Corporate Governance — 4.2.1 Remuneration Policy”.

Approximately 2.0% of the share capital (and voting rights) was held by the Company’s employees as of 31 December 2018.

## 3.3.2 Relationships with Principal Shareholders

In 2013, GZBV, Sogepa and SEPI entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

### 3.3.2.1 Corporate Governance Arrangements

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company's corporate governance arrangements in the Articles of Association, included (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others. See sections 3.1.11 and 3.1.12 above and section 4 below.

### 3.3.2.2 Core Shareholder Arrangements

#### Grandfathering Agreement

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

#### Individual Grandfathering Rights

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

#### Loss of Individual Grandfathering Rights

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

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

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

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

#### Notification to the Company

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

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-concert Grandfathering Agreement or any such joint instruction or binding advice.

Notwithstanding the description under "Various provisions – Jurisdiction" below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-concert Grandfathering Agreement.

#### Various Provisions

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

**Governing law.** Laws of the Netherlands.

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

#### Shareholders' Agreement

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



### Governance of the Company

**Appointment of the Directors.** The shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the shareholders shall use their best endeavours so that such person is appointed as a Director.

Sogepa and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an Independent Director pursuant to the conditions set forth in the Board Rules, and shall vote as shareholders in any shareholders' meeting in favour of such appointment and against the appointment of any other person for such position.

If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has / have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the shareholders shall exercise their best endeavours so that these persons are appointed as Directors.

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

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

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

### Balance of Interests

The shareholders agree their common objective to seek a balance between themselves of their respective interest in the Company as follows:

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

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

### Mandatory Takeover Threshold

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

### Transfer of Securities

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

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

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

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

### Various Provisions

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

**Governing law.** Laws of the Netherlands.

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

### 3.3.2.3 Undertakings with Respect to Certain Interests of Certain Stakeholders

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

### State Security Agreements and Related Undertakings and Negotiations

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement,

certain sensitive French military assets will be held by a Company subsidiary (the “**French Defence Holding Company**”). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of — but not to propose or appoint — three outside Directors to the Board of Directors of the French Defence Holding Company (the “**French Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board of Directors. Two of the French Defence Outside Directors are required to also be Members of the Board of Directors. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board of Directors) nor (ii) have material ongoing professional relationships with Airbus.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State’s security (the “**German State Security Agreement**”). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the “**German Defence Holding Company**”). The German State has the right to approve or disapprove of — but not to propose or appoint — three outside Directors to the Supervisory Board of the German Defence Holding Company (the “**German Defence Outside Directors**”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board of Directors. Two of the German Defence Outside Directors are required to also be Members of the Board of Directors. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant.

### 3.3.3 Form of Shares

The shares of the Company are in registered form. The Board of Directors may decide with respect to all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders’ register without the issue of a share certificate or, should the Board of Directors

#### 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.

For more information about Dassault Aviation, see “— Information on the Company’s Activities — 1.1.5 Investments”.

#### Stock Exchange Listings

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

#### Specific Rights of the French State

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

so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.

### 3.3.4 Changes in the Shareholding of the Company

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

Shareholders	Position as of 31 December 2018			Position as of 31 December 2017			Position as of 31 December 2016		
	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares	% of capital	% of voting rights	Number of shares
SOGEPA	11.06%	11.06%	85,835,477	11.08%	11.08%	85,835,477	11.11%	11.11%	85,835,477
GZBV <sup>(1)</sup>	11.04%	11.04%	85,709,822	11.07%	11.07%	85,709,822	11.09%	11.09%	85,709,822
SEPI	4.16%	4.16%	32,330,381	4.17%	4.17%	32,330,381	4.18%	4.18%	32,330,381
<b>Sub-total New Shareholder Agt.</b>	<b>26.26%</b>	<b>26.28%</b>	<b>203,875,680</b>	<b>26.32%</b>	<b>26.33%</b>	<b>203,875,680</b>	<b>26.38%</b>	<b>26.38%</b>	<b>203,875,680</b>
Foundation "SOGEPA"	0.00%	0.00%	0	0.00%	0.00%	-	0.00%	0.00%	0
Public <sup>(2)</sup>	73.66%	73.72%	571,855,277	73.66%	73.67%	570,550,857	73.60%	73.62%	568,853,019
Own share buyback <sup>(3)</sup>	0.08%	-	636,924	0.02%	-	129,525	0.02%	-	184,170
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>776,367,881</b>	<b>100%</b>	<b>100%</b>	<b>774,556,062</b>	<b>100%</b>	<b>100%</b>	<b>772,912,869</b>

(1) KfW & other German public entities.

(2) Including Company employees. As of 31 December 2018, the Company's employees held approximately 2.0% of the share capital (and voting rights).

(3) The shares owned by the Company do not carry voting rights.

To the knowledge of the Company, there are no pledges over the shares of the Company.

The Company requested disclosure of the identity of the beneficial holders of its shares held by identifiable holders ("*Titres au porteur identifiables*") holding 2,000 or more shares each. The study, which was completed on 31 December 2018, resulted in the identification of 1,820 shareholders holding a total

of 572,267,264 Company shares (including 1,837,087 shares held by Iberclear on behalf of the Spanish markets and 29,668,256 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company as of 31 December 2018 is as shown in the diagram in "— 3.3.1 Shareholding Structure at the end of 2018".

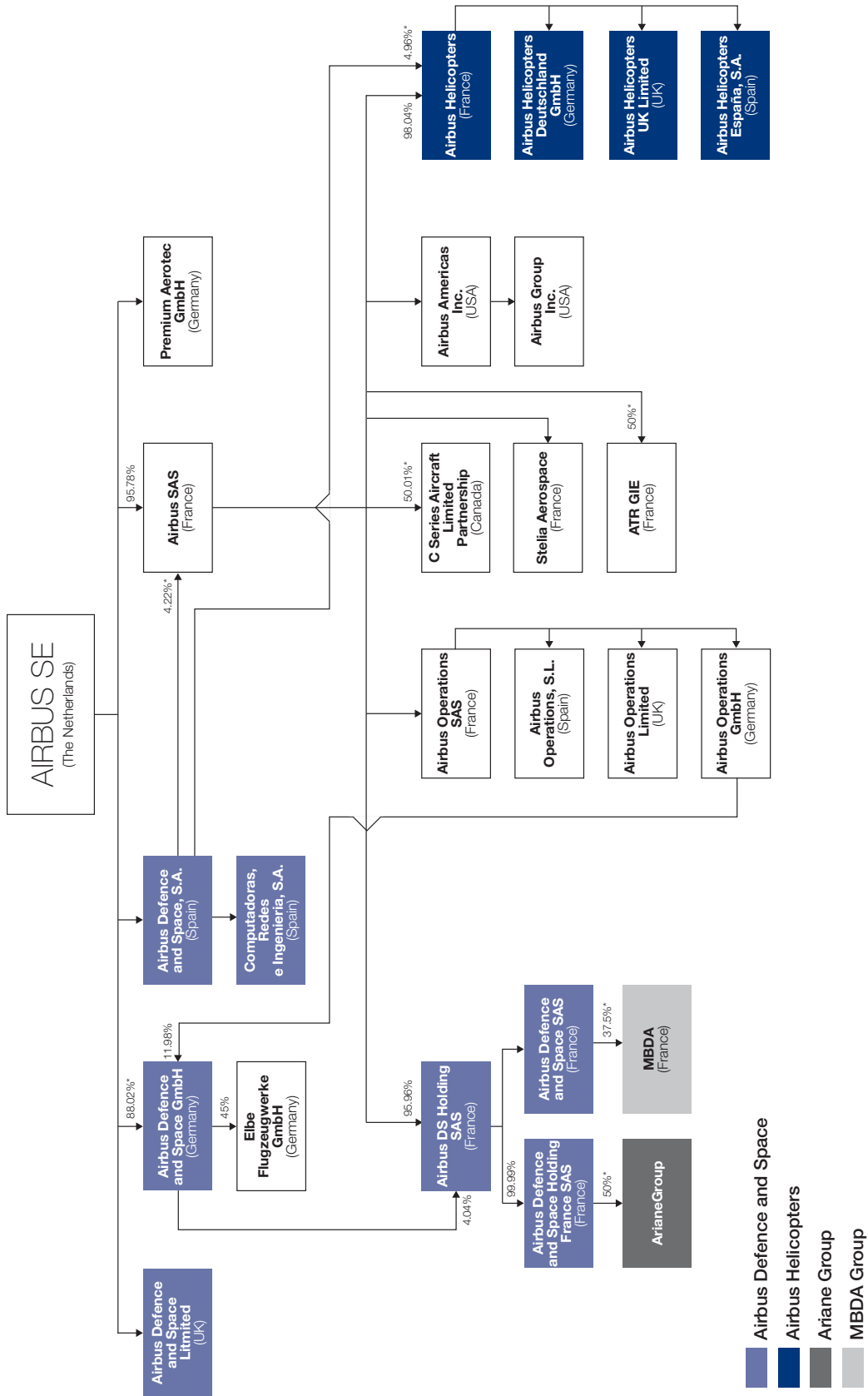
### 3.3.5 Persons Exercising Control over the Company

See "— 3.3.1 Shareholding Structure at the end of 2018" and "— 3.3.2 Relationships with Principal Shareholders".

### 3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of Airbus as of 31 December 2018, comprising three Divisions and the main Business Units. See "— Information on the Company's Activities — 1.1.1 Overview — Organisation of the Company's Businesses". For ease of presentation, certain intermediate holding companies have been omitted.

SIMPLIFIED GROUP STRUCTURE CHART



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

## 3.3.7 Purchase by the Company of its Own Shares

### 3.3.7.1 Dutch Law and Information on Share Repurchase Programmes

Under Dutch civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders' equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders' meeting has authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

For the authorisations granted to the Board of Directors at the AGM of Shareholders held on 11 April 2018, see "— 3.2.3 Modification of Share Capital or Rights Attached to the Shares".

### 3.3.7.2 European Regulation

Pursuant to the Market Abuse Regulation and EU Delegated Regulation no. 2016/1052, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto. In particular, prior to implementing the share repurchase programme, the Company must ensure adequate disclosure of the following information: the purpose of the programme, the maximum pecuniary amount allocated to the programme, the maximum number of shares to be acquired, and the duration of the programme.

In addition, the Company must report to the competent authority of each trading venue on which the shares are admitted to trading or are traded no later than by the end of the seventh daily market session following the date of execution of the transaction, all the transactions relating to the buy-back programme and ensure adequate disclosure of that certain information relating thereto within the same time frame. These transactions must be posted on the Company's website and be made available to the public for at least a 5-year period from the date of adequate public disclosure.

### 3.3.7.3 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the European regulations summarised above in 3.3.7.2 (*European Regulation*).

In addition, the *Autorité des marchés financiers* ("AMF") General Regulations and AMF guidelines n°2017-04 define the conditions for a company's trading in its own shares to be valid in accordance with the Market Abuse Regulation and EU Delegated Regulation no. 2016 / 1052.

Moreover, the Company must report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

### 3.3.7.4 German Regulations

As a foreign issuer, the Company is subject to German rules on repurchasing its own shares only to a limited extent, since German rules refer to the law of the Member State in which the Company is domiciled. In addition, general principles of German law on equal treatment of shareholders are applicable.

The European regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Germany.

### 3.3.7.5 Spanish Regulations

As a foreign issuer, the Company is not subject to Spanish rules on trading in its own shares, which only apply to Spanish issuers. The European regulations summarised above in 3.3.7.2 (*European Regulation*) also applies to the Company in Spain.

### 3.3.7.6 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be Held on 10 April 2019

Pursuant to Articles 241-2-1 and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("*descriptif du programme*") to be implemented by the Company:

- **date of the shareholders' meeting to authorise the share repurchase programme:** 10 April 2019;
- **intended use of the Airbus SE shares held by the Company as of the date of this document:** the owning of shares for the performance of obligations related to employee share option programmes or other allocations of shares to employees of Airbus and Airbus' companies;
- **purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which will be determined on a case-by-case basis by the Board of Directors based on need):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, it being understood that the repurchased shares shall not carry any voting or dividend rights,
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into Airbus SE shares, or (ii) employee share option programmes or other allocations of shares to employees of Airbus and Airbus' companies,
  - the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
  - the liquidity or dynamism of the secondary market of the Airbus SE shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 1 October 2008 (as amended) related to approval of liquidity agreements recognised as market practices by the AMF;

**– procedure:**

- maximum portion of the issued share capital that may be repurchased by the Company: 10%,
- maximum number of shares that may be repurchased by the Company: 77,636,788 shares, based on an issued share capital of 776,367,881 shares as of 13 February 2019,
- the amounts to be paid in consideration for the purchase of the treasury shares must be, in accordance with applicable Dutch law, a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.  
The Company undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext,
- shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to Airbus SE shares within the limits set out in this document.  
The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,

- in addition, in the event that derivative financial instruments are used, the Company will ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,
- characteristics of the shares to be repurchased by the Company: shares of Airbus SE, a company listed on Euronext Paris, on the *regulierter Markt* of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
- maximum purchase price per share: €100;
- **term of the share repurchase programme and other characteristics:** this share repurchase programme shall be valid until 11 October 2019 inclusive, *i.e.* the date of expiry of the authorisation requested from the AGM of Shareholders to be held on 11 April 2018.

As of the date of this document, the Company has not entered into any liquidity agreement with an independent investment services provider in the context of the share repurchase programme.

**Share Repurchase Programme 2018**

In February 2019, the Company started implementing a share buyback programme that was conferred by Board of Directors on 13 February 2019 following the authorisation by the Company's Annual General Meeting of shareholders on 11 April 2018. This share buyback programme is reported in accordance with the Market Abuse Regulation.



## 3.4 Dividends

### 3.4.1 Dividends and Cash Distributions Paid

Cash distributions paid to the shareholders are set forth in the table below:

Financial year	Date of the cash distribution payment	Gross amount per share <sup>(1)</sup>
2013	3 June 2014	€0.75
2014	3 June 2015	€1.20
2015	3 May 2016	€1.30
2016	20 April 2017	€1.35
2017	18 April 2018	€1.50

(1) Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

### 3.4.2 Dividend Policy of the Company

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

Based on earnings per share (EPS) of €3.94 and a net income of €3,054 million, the Board of Directors will propose to the AGM the payment to shareholders on 17 April 2019 of a dividend of €1.65 per share (FY 2017: €1.50). This value is at the upper end of the dividend policy reflecting our strong 2018 achievements, including the positive evolution of the 2018 underlying performance and our 2018 cash generation. It highlights our confidence in our future financial performance as well as ongoing commitment towards sustained dividend growth and increasing shareholder returns.

The record date should be 16 April 2019. This proposed dividend represents year-on-year dividend per share increase of 10%.

### 3.4.3 Unclaimed Dividends

Pursuant to the Articles of Association, the claim for payment of a dividend or other distribution approved by the shareholders' meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim

dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

### 3.4.4 Taxation

The statements below represent a broad analysis of the current tax laws of the Netherlands. The description is limited to the material tax implications for a holder of the Company's shares (the "Shares") who is not and is not deemed to be resident in the Netherlands for any Dutch tax purposes (a "Non-Resident Holder"). Certain categories of holders of the Company's shares may be subject to special rules which are not addressed below

and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional advisors. Where the summary refers to "the Netherlands" or "Netherlands" or "Dutch", it refers only to the European part of the Kingdom of the Netherlands.

### Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to Dutch withholding tax at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Dutch dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Dutch dividend withholding tax purposes. Stock dividends paid out of the Company's paid-in-share premium, recognised as capital for Dutch dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax pursuant to domestic rules or under a tax convention that is in effect between the Netherlands and the Non-Resident Holder's country of residence for tax purposes. The Netherlands has concluded such conventions with the US, Canada, Switzerland, Japan, almost all European Union Member States and other countries.

### Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Dutch withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. In principle, a redemption or sale to the Company or a direct or indirect subsidiary of the Company will be deemed to be a dividend and will be subject to the rules set forth in "Withholding Tax on Dividends" above.

### Taxes on Income and Capital Gains

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realises a capital gain derived from Shares, will not be subject to Dutch taxation on income or a capital gain unless:

- the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("*vaste inrichting*") or permanent representative ("*vaste vertegenwoordiger*") taxable in the Netherlands and the holder of Shares derives profits from such enterprise (other than by way of the holding of securities); or
- the Non-Resident Holder is an entity and has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company and such interest is held by the Non-Resident Holder with the main purpose of or one of the main purposes of avoiding personal income tax for another person; or

- the Non-Resident Holder is an individual and such holder or a connected person to such holder ("*verbonden persoon*") has, directly or indirectly, a substantial interest ("*aanmerkelijk belang*") or a deemed substantial interest in the Company which is not attributable to an enterprise; or
- the income or capital gain qualifies as income from miscellaneous activities ("*belastbaar resultaat uit overige werkzaamheden*") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("*Wet inkomstenbelasting 2001*"), including without limitation, activities that exceed normal, active portfolio management ("*normaal actief vermogensbeheer*").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company's share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company's total issued and outstanding share capital or any class thereof. Generally, a deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

### Gift or Inheritance Taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Shares by way of gift by, or on the death of, a Non-Resident Holder, unless the transfer is construed as an inheritance or gift made by or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

### Value Added Tax

There is no Dutch value added tax payable by a holder of Shares in respect of dividends on the Shares or on the transfer of the Shares.

### Other Taxes and Duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty other than court fees payable in the Netherlands by a holder of Shares in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) with respect to the dividends on the Shares or on the transfer of the Shares.

### Residence

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.

# 4

# 4

## Corporate Governance

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## 4.1 Management and Control

The corporate governance arrangements of the Company were substantially changed pursuant to the Multiparty Agreement, including changes in the composition of the Board of Directors and the rules governing its internal affairs (the “**Board Rules**”). These changes are intended to further normalise and simplify

the Company’s corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Below is a summary description of such changes.

### 4.1.1 Corporate Governance Arrangements

#### 4.1.1.1 Board of Directors

##### a) Composition Rules and Principles

Under the Articles of Association, the Board of Directors consists of at most 12 Directors. Under the Board Rules, each Board Director shall retire at the close of the AGM held three years following his or her appointment, unless the said mandate is renewed. Under the Board Rules, at least a majority of the Members of the Board of Directors (*i.e.* 7/12) must be European Union (“EU”) nationals (including the Chairman of the Board of Directors) and a majority of such majority (*i.e.* 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 Non-Executive Directors. While the Board of Directors appoints the Chief Executive Officer of the Company (the “**CEO**”), the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine of the Non-Executive Directors must be “Independent Directors” (including the Chairman of the Board of Directors).

Under the Board Rules, an “Independent Director” is a non-Executive Director who is independent within the meaning of the Dutch Corporate Governance Code (the “**Dutch Code**”) and meets additional independence standards. Specifically, where the Dutch Code would determine non-independence, in part, by reference to a Director’s relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director’s non-independence, in relevant part, by reference to such Director’s relationships with shareholders who own at least 5% of the Company. According to the criteria of the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) presently qualify as an “Independent Director”.

The Remuneration, Nomination and Governance Committee of the Board of Directors (the “**RNGC**”) is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders’ meeting of the Company for appointment as Directors by the shareholders’ meeting. No shareholder or group of shareholders, or any

other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under Dutch law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders’ meeting regarding the renewal or appointment of Directors, are both required to apply the following principles:

- the preference for the best candidate for the position;
- the preference for gender diversity between equal profiles;
- the maintenance of appropriate skills mix and geographical experience;
- the maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least a majority of the Members of the Board of Directors (*i.e.* 7/12) shall be EU nationals (including the Chairman), and a majority of such majority (*i.e.* 4/7) shall be both EU nationals and residents.

In accordance with these principles the Board of Directors shall continue to seek greater diversity with respect to gender, age, geography, education, profession and background.

In 2018, three new Members joined the Board of Directors, Mr. Clamadiou, Mr. Chu and Mr. Obermann. Respectively, with an industrial background, expertise in the Asian market and information technology and entrepreneurial background, they have the competencies and personal skills to fulfil these positions in line with the Board’s expectations and the evolution of the Company’s business.

At the end of 2018 more than half of the Members of the Board of Directors were aged 60 or under. The proportion of female representatives is today at 25% against 0% six years ago. The Board composition shows a balanced mix of experience with, for example, five Members having aerospace industry skills, eight having geopolitical or economics skills, five having information or data management skills and five having manufacturing and production skills. More details about the diversity of the Members of the Board of Directors are available in the table entitled *Composition of the Board of Directors in 2018*.

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders' meeting, the undertakings of the Company to the French State pursuant to the amendment to the French State Security Agreement and to the German State pursuant to the German State Security Agreement, in each case as described more fully in "3.3.2.3 — Undertakings with Respect to Certain Interests of Certain Stakeholders". In practice, this means that at all times the Board of Directors needs to have (i) two Directors who should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (ii) two Directors who should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such a schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors, also taking into account that a Director should at the time of his/her appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors' positions are either renewed or replaced every year for a term of three years. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges, provided that exceptions to these rules may be agreed by the Board of Directors if specific circumstances provide an appropriate justification for such exceptions.

#### b) Role of the Board of Directors

Most Board of Directors' decisions can be made by a simple majority of the votes cast by the Directors (a "**Simple Majority**"), but certain decisions must be made by a two-thirds majority (*i.e.* eight favourable votes) of votes cast by the Directors regardless of whether they are present or represented in respect of the decision (a "**Qualified Majority**"). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not being present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

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

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

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

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least 10 of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

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



c) The Board of Directors in 2018

(i) Composition of the Board of Directors in 2018

AIRBUS SE BOARD OF DIRECTORS

Board member Age*, Gender, Nationality	Status	Since	Term expires	Primary occupation & Other mandates	Director expertise	Board attendance	Committee attendance		
							Audit	RNGC	ECC
 <b>Denis RANQUE</b> 67, M, French	Independent	2013, last re-election in 2017	2020	Chairman of the Board of Directors of Airbus SE		 10/10			 11/11
 <b>Thomas ENDERS</b> 60, M, German	Executive	2012, last re-election in 2016	2019	Chief Executive Officer of Airbus SE		9/10			
 <b>Victor CHU</b> 61, M, Chinese / British	Independent	2018	2021	Chairman and CEO of First Eastern Investment Group		6/9 (from AGM 2018)	2/3 (from AGM 2018)		
 <b>Jean-Pierre CLAMADIEU</b> 60, M, French	Independent	2018	2021	CEO and member of the Board of Solvay SA (until 1 March 2019) and Chairman of the Board of Engie and member of the Board of AXA SA		8/9 (from AGM 2018)		6/7 (from AGM 2018)	
 <b>Ralph D. CROSBY, Jr.</b> 71, M, American	Independent	2013, last re-election in 2017	2020	Member of the Board of Directors of American Electric Power Corp.		9/10	4/5		
 <b>Lord DRAYSON Paul</b> 59, M, British	Independent	2017	2020	Co-Founder and Chairman of Drayson Technologies Ltd and Co-Founder and CEO of Sensyne Health PLC		8/10		8/9	7/8 (from AGM 2018)
 <b>Catherine GUILLOUARD**</b> 54, F, French	Independent	2016, re-election in 2019	2022	Chairwoman and Chief Executive Officer of RATP and member of the Board of Engie		10/10	5/5		11/11
 <b>Hermann-Josef LAMBERTI</b> 63, M, German	Independent	2007, last re-election in 2017	2020	Member of the Supervisory Board of ING Group N.V.		8/10	 4/5		10/11
 <b>Amparo MORALEDA</b> 54, F, Spanish	Independent	2015, last re-election in 2018	2021	Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC		9/10		 9/9	10/11
 <b>Claudia NEMAT**</b> 50, F, German	Independent	2016, re-election in 2019	2022	Member of the Board of Management of Deutsche Telekom AG		10/10	2/2 (until AGM 2018)	5/7 (from AGM 2018)	
 <b>René OBERMANN</b> 56, M, German	Independent	2018	2021	Managing Director of Warburg Pincus Deutschland GmbH and member of the Board of Telenor ASA and Allianz Deutschland AG		8/9 (from AGM 2018)	3/3 (from AGM 2018)		
 <b>Carlos TAVARES**</b> 60, M, Portuguese	Independent	2016, re-election in 2019	2022	Chairman of the Managing Board of Peugeot SA and member of the Board of Directors of Total SA		6/10			
Board and committee meetings in 2018						10	5	9	11
Average attendance rate in 2018						87%	88%	89%	93%

\* As per AGM 2019 Date.

 Independent  Executive  Chair

\*\* To be re-elected in 2019.

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mendelweg 30, 2333 CS Leiden, The Netherlands.

 Global Business	 Engineering & Technology	 Manufacturing & Production	 Aerospace Industry	 Finance & Audit	 Geopolitical Economics	 Defence Industry	 Information & Data Management	 Asia
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The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

**(ii) Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors in 2018**

The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

**Denis Ranque**



67 years old

Director since 2013,  
re-elected in 2017

Independent



**Curriculum Vitae**

Denis Ranque began his career at the French Ministry for Industry, where he held various positions in the energy sector, before joining the Thomson group in 1983 as Planning Director. The following year, he moved to the electron tubes division, first as Director of space business, then, from 1986, as Director of the division's microwave tubes department. Two years later, the electron tubes division became the affiliate Thomson Tubes Electroniques, and Denis Ranque took over as Chief Executive of this subsidiary in 1989. In April 1992, he was appointed Chairman and CEO of Thomson Sintra Activités Sous-marines. Four years later, he became CEO of Thomson Marconi Sonar, the sonar systems joint venture set up by Thomson-CSF and GEC-Marconi. In January 1998, Denis Ranque was appointed Chairman and Chief Executive Officer of the Thomson-CSF group, now called Thales. He resigned from this position in May 2009, as a consequence of a change in shareholding. From February 2010 to June 2012 he has been Non-Executive Chairman of Technicolor. Since October 2001, he has also been Chairman of the Board of the École des Mines ParisTech, and since September 2002, Chairman of the Cercle de l'Industrie, an association which unites France's biggest industrial companies; both mandates ended in June 2012. He is member of the Boards of Directors of Saint-Gobain and CMA-CGM. From 2013 to 2017, he chaired The Haut Comité de Gouvernement d'Entreprise, the independent body put in place by the French Code of corporate governance for monitoring and encouraging progress in this field. From 2014 to 2017, he has also been co-Chairman of La Fabrique de l'industrie, a think tank dedicated to industry. Since 2014, he is the Chairman of the Fondation de l'École Polytechnique and a member of the French Academy for Technologies ("Académie des Technologies"). Denis Ranque, born 1952, is a graduate of France's École Polytechnique and the Corps des Mines.



**Current Mandates:**

- Chairman of the Board of Directors of Airbus SE;
- Member of the Board of Directors of Saint Gobain;
- Member of the Board of Directors of CMA-CGM;
- President of the Board of Foundation de l'École Polytechnique.



**Former mandates for the last five years:**

- President of the French Haut Comité de Gouvernement d'Entreprise (until December 2017);
- Co-Chairman of the Board of Directors of La Fabrique de l'industrie (until November 2017).
- Member of the Board of Directors of Scilab Enterprise SAS (until February 2017);

## Thomas Enders



60 years old

Director since 2012,  
last re-elected in 2016

Executive



### Curriculum Vitae

Dr. Thomas ("Tom") Enders was appointed Chief Executive Officer (CEO) of Airbus SE, on 1 June 2012, after having been CEO of the Airbus Commercial Aircraft Division since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence Division from 2000 to 2005. He has been a member of the Executive Committee of Airbus since its creation in 2000.

Prior to joining the aerospace industry in 1991, Enders worked, inter alia, as a Member of the "Planungsstab" of the German Minister of Defence and in various Foreign Policy think tanks. He studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles.

In 2014, Enders joined the Advisory Council of the Munich Security Conference as well as the Senate of the Max-Planck-Gesellschaft. He is patron of the German Mayday Foundation which supports airmen, women and their families in times of need.

Tom Enders is a member of the BDI Board (German Industry Association) since 2009, the Advisory Council of HSBC Trinkhaus since 2012 and the Supervisory Board of Linde AG since 2017 (which merged into Linde plc in 2018).



### Current Mandates:

- Chief Executive Officer of Airbus SE;
- Member of the Board of Directors of Airbus SE;
- Member of the Executive Committee of Airbus SE;
- President of Airbus SAS;
- Chairman of the Supervisory Board of Airbus Defence and Space GmbH;
- Member of the Board of Directors of BDI (Federation of German Industry);
- Member of the Governing Board of HSBC Trinkhaus;
- Member of the International Advisory Board of Atlantic Council of the US;
- Member of the Board of Directors of WORLDVU Satellites Ltd. (OneWeb);
- Chairman of the Board of Directors of Fondation d'Entreprises Airbus
- Member of the Board of Directors of AeroSpace and Defence Industries Association of Europe;
- Member of the Board of Directors of Linde plc;
- Member of the Supervisory Board of Linde Intermediate Holding AG;
- Member of the Advisory Counsel of EDB.



### Former mandates for the last five years:

- Member of the Joint Advisory Council of Allianz SE (until December 2018)

## Victor Chu



61 years old

Director since 2018

Independent

**Curriculum Vitae**

Victor Chu graduated as a lawyer in London. He was admitted to practice law in England and Hong Kong. After completing his training with Herbert Smith, the City law firm, Victor moved back to Hong Kong in 1982 with Herbert Smith. He has since handled a wide array of mandates in the field of corporate, commercial and securities law, with special emphasis on China and regional investment transactions. In late 1985, he founded Victor Chu & Co., which has become one of the leading law firms in Hong Kong.

In 1988, Victor Chu created the First Eastern Investment Group, a Hong Kong based international investment firm. First Eastern specializes in private equity investments, venture capital investments and investments in the expansion stage of business development. Victor Chu was part of the first wave of specialists in the Chinese market. He penetrated China early and built a lot of relationships at the highest level in the country. Victor Chu has been instrumental in gaining the confidence of major international investors and institutions ready to co-invest with First Eastern Investment Group. Key projects have included toll roads, water treatment operations, property and manufacturing industries and FinTech, as well as the launch of Japanese budget airline Peach Aviation.

Victor Chu is an extremely respected business figure in Hong Kong and Asia. In addition to his business activities, he has been very active with several international institutions such as The World Economic Forum and The Royal Institute of International Affairs. He is also a generous philanthropist in the field of environmental protection (Global Ocean Commission, WWF) and education.

**Current Mandates:**

- Member of the Board of Directors of Airbus SE;
- Chairman and CEO of First Eastern Investment Group;
- Member of the Board of China Merchants China Direct;
- Member of the Board of Grand Harbour Marina PLC;
- Member of the Board of Camper & Nicholsons Marina Investments;
- Member of the Board of SE Securities;
- Member of the Board of Peach Aviation;
- Member of the Board of Evolution Securities Asia;
- Member of the Board of Sustainable Development Capital;
- Co-Chair of the International Business Council (by World Economic Forum);
- Senior Partner of Victor Chu & Co.

**Former mandates for the last five years:**

- Member of the Foundation Board of World Economic Forum (until August 2015);
- Member of the Board of Zurich Insurance Co. (until April 2014).

## Jean-Pierre Clamadieu



60 years old

Director since 2018

Independent



### Curriculum Vitae

Jean-Pierre Clamadieu graduated from École Nationale Supérieure des Mines de Paris before becoming Chief Engineer of the Corps of Mines. Between 1981 and 1993, he worked mainly for the French Ministry of Industry and as Technical Advisor to the Minister of Labor.

In 1993, Jean-Pierre Clamadieu joined RhônePoulenc to develop new activities in the field of automobile pollution control. In the following years, he held several executive positions in the Rhodia group, as President of Rhodia's Chemicals in Latin America, President of Rhodia Eco Services, Senior Vice President for Rhodia Corporate Purchasing, President of Rhodia Organic Fine Chemicals division and President of Rhodia Pharmaceuticals & Agrochemicals division.

In October 2003, Mr Clamadieu was appointed CEO of Rhodia, and became its chairman & CEO in March 2008. Following a merger between Rhodia and the Belgian chemical group Solvay in 2011, Mr Clamadieu was appointed chairman of the Executive Committee and CEO of the new Solvay group. Since his appointment, Jean-Pierre Clamadieu led the integration of the new group and its transformation into a major player in the field of specialty chemicals and advanced materials, which combines industrial competitiveness with the quest for sustainable solutions for its clients. His mandate at Solvay SA ends on 1 March 2019.

Mr Clamadieu has been appointed Chairman of the Board of Directors of Engie in May 2018.

Jean-Pierre Clamadieu also promotes an ambitious and coordinated European energy policy.



### Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Chairman of the Executive Committee and CEO of Solvay SA;
- Chairman of the Board of Engie;
- Member of the Board of Directors of AXA;
- Member of the Board of Solvay Specialty Chemicals Asia Pacific Pte. Ltd (Singapore);
- Director of Cytec Industries Inc.;
- Director Cytec UK Holding Inc.;
- Chairman of the Board of Opéra National de Paris.



### Former mandates for the last five years:

- Member of the Board of Solvay Finances SA (Luxembourg) (until March 2018);
- Member of the Board of Faurecia SA (France) (until February 2018);
- Member of the Board of (Solvay Iberica S.L. (Spain) (until September 2015);
- Member of the Board of Directors of AXA (until September 2015);
- Member of the Board of Solvay America, Inc. (USA) (until January 2014).

Ralph Dozier Crosby, Jr.



71 years old

Director since 2013,  
Re-elected in 2017

Independent



**Curriculum Vitae**

Ralph Crosby was Member of the Executive Committee of EADS from 2002-2012 and served as Chairman and CEO of EADS North America from 2002-2009. He presently serves as an Independent Director of American Electric Power headquartered in Columbus, Ohio, where he chairs the Human Resources Committee and Excelitas Holdings, LP, headquartered in Boston. Prior to joining EADS, Mr Crosby was an Executive with Northrop Grumman Corporation, where he had served as a Member of the Corporate Policy Council with positions including President of the Integrated Systems Sector, Corporate Vice President and General Manager of the company's Commercial Aircraft Division and Corporate Vice President and General Manager of the B-2 Division. Prior to his industry career, Mr Crosby served as an officer in the U.S. Army, where his last military assignment was as military staff assistant to the Vice President of the United States. Mr Crosby is a graduate of the US Military Academy at West Point, and holds Master's degrees from Harvard University, and the University of Geneva, Switzerland. He is the recipient of the James Forrestal Award from the National Defense Industrial Association, and has been awarded Chevalier of the Légion d'Honneur of France.



**Current Mandates:**

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors (Supervisory Board) of American Electric Power Corporation;
- Member of the Board of Directors of Excelitas Holdings, LP.



**Former mandates for the last five years:**

- Member of the Board of Directors and of the Executive Committee of the Atlantic Council of the United States (until August 2018);
- Member of the Board of Directors (Supervisory Board) of Serco Group plc (until June 2017).

(Paul) Lord Drayson



59 years old

Director since 2017

Independent



**Curriculum Vitae**

Lord Drayson graduated as an engineer and finished his PhD in 1985 at Aston University. In 1987 he became Managing Director of The Lambourn Food Company Limited, a subsidiary of the Trebor Group and, after a management buy-out of the Company in 1989, completed its sale to a third party in 1991. The same year, he founded Genisys Development Limited, a consultancy company for new products development and management. In 1993, he co-founded PowderJect Pharmaceuticals Plc and led its business as Chairman and CEO until it was sold to Chiron Corporation, a US company, in 2003. He co-founded Drayson Racing Technologies LLP in 2007 and, in 2014 he set up Drayson Technologies Ltd, an Internet of Things platform company of which he currently is the co-founder, Chairman and CEO. Lord Drayson was also elected chairman of the U.K. BioIndustry Association in 2001 and was appointed to the House of Lords and a Member of the Science and Technology Committee of the House of Lords in 2004. He was then appointed Parliamentary under Secretary of State for Defence Procurement in 2005 and became Minister of State for Defence Equipment & Support in 2006 and Minister of State for Science & Innovation in 2008.



**Current Mandates:**

- Member of the Board of Directors of Airbus SE;
- Chairman and CEO of Drayson Technologies Ltd;
- Co-Founder and CEO of Sensyne Health plc;
- Science Entrepreneur in Residence of Magdalen College, Oxford;
- Supernumerary Fellow of St. John's College, Oxford;
- Member of Her Majesty's Privy Council;
- Member of House of Lords;
- Co-founder and Trustee of the Drayson Foundation.



**Former mandates for the last five years:**

- Member of Project of the "Oxfordshire Innovation Engine" Project (until February 2018);
- Trustee and External Member of Council at University of Oxford (until December 2017);
- Chairman of the Executive Committee at OUC (Oxford University Clinic) Centres of Excellence LLP (until December 2017);
- Non-Executive Director and Board Member of the Royal Navy (until November 2017);
- President of the Motorsports Industry Association (until October 2015);
- Co-founder and Managing Partner Drayson Racing Technologies LLP (until April 2014).



## Catherine Guillouard



54 years old

Director since 2016

Independent



### Curriculum Vitae

Catherine Guillouard began her career in 1993 at the Ministry of Economy in the French Treasury working for the department in charge of the Africa – CFA zone and later in the Banking Affairs Department. She joined Air France in 1997 as IPO Senior Project Manager. She was subsequently appointed Deputy Vice-President Finance Controlling in 1999, Senior Vice-President of Flight Operations in 2001, Senior Vice-President of Human Resources and Change Management in 2003 and Senior Vice-President of Finance in 2005. In September 2007, she joined Eutelsat as Chief Financial Officer and member of the Group Executive Committee. Catherine joined Rexel in April 2013 as Chief Financial Officer and Group Senior Vice-President. Between May 2014 and February 2017 she has been Deputy Chief Executive Officer of Rexel. On 2 August 2017, Ms Guillouard was appointed Chairwoman and Chief Executive Officer of RATP Group, the fifth largest urban transportation operator in the world with nearly 16 million daily passengers in 14 countries and 4 continents, a workforce of nearly 61,000 employees worldwide and a revenue of €5,5bn in 2017. She is also Vis-President of Systra's supervisory board, the RATP Group and SNCF joint engineering subsidiary. Catherine Guillouard, born in 1965, is a graduate of the Institute of Political Studies of Paris and the École Nationale d'Administration and she has a PhD of European laws (Panthéon-Sorbonne).



### Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of ENGIE;
- Chairwoman and Chief Executive Officer of RATP Group;
- Chairwoman of the Supervisory Board of RATP Group;
- Vice-Chairwoman of the Supervisory Board of Systra.



### Former mandates for the last five years:

- Deputy Chief Executive Officer of Rexel (until February 2017);

## Hermann-Josef Lamberti



63 years old

Director since 2007,  
last re-elected in 2017

Independent



Hermann-Josef Lamberti was Member of the Management Board of Deutsche Bank AG from 1999 until 2012 and operated as the bank's Chief Operating Officer. As COO he had global responsibility for Human Resources, Information Technology, Operations and Process Management, Building and Facilities Management as well as Purchasing. He joined Deutsche Bank in Frankfurt in 1998 as Executive Vice President. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. Mr Lamberti started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. He studied Business Administration at the Universities of Cologne and Dublin, and graduated with a Master's degree.



### Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften;
- Member of the Board of Trustees of Frankfurt Institute for Advanced Studies (FIAS) of Goethe-Universität;
- Member of the Supervisory Board of ING Group N.V.;
- Senior Business Advisor of Advent International GmbH;
- Owner / Managing Director of Frankfurt Technology Management GmbH;
- Chairman of the Supervisory Board of Addiko Bank AG.



### Former mandates for the last five years:

- Member of the Board of LDM – Lefdal Data Mine, AS, Maloy, Norway (until December 2017);
- Member of the Board of Stonebranch INC., Alpharetta, Georgia, USA (until June 2017);
- Member of the Supervisory Board Open-Xchange AG (until June 2016);
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal (until December 2014).

**María Amparo Moraleda Martínez**



54 years old

Director since 2015,  
last re-election in  
2018

Independent



**Curriculum Vitae**

Amparo Moraleda graduated as an industrial engineer from the ICAI (Escuela Técnica Superior de Ingeniería Industrial) Madrid and holds a PDG from IESE Business School in Madrid. Between January 2009 and February 2012, she was Chief Operating Officer of Iberdrola SA's International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. Previously, she served as General Manager of IBM Spain and Portugal (2001-2009). In 2005 her area of responsibility was extended to encompass Greece, Israel and Turkey as well. Between 2000 and 2001, she was executive assistant to the chairman and CEO of IBM Corporation. From 1998 to 2000, Ms Moraleda was General Manager of INSA (a subsidiary of IBM Global Services). From 1995 to 1997, she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional and management positions at IBM España. Ms Moraleda is also a member of various boards and trusts of different institutions and bodies. She is member of the academy of "Ciencias Sociales y del Medio Ambiente" of Andalucía (Spain), member of the board of trustees of MD Anderson Cancer Centre in Madrid, CurArte Foundation in Madrid, member of the International Advisory Board of Instituto de Empresa Business School and member of the Board of the global alumni association of IESE Business School.

In May 2017 she was inducted as a member of the Spanish Royal Academy of Economic and Financial Sciences.



**Current Mandates:**

- Member of the Board of Directors of AirbusSE;
- Member of the Board of Directors of Vodafone plc;
- Member of the Board of Directors of Solvay SA;
- Member of the Board of Directors of Caixabank SA;
- Member of the Supervisory Board of CSIC (Consejo Superior d'Investigaciones Cientificas);
- Member of the Advisory Board of SAP Spain;
- Member of the Advisory Board of Spencer Stuart Spain.



**Former mandates for the last five years:**

- Member of the Board of Directors of Faurecia SA (until October 2017);
- Member of the Advisory Board of KPMG Spain (until June 2017);
- Member of the Board of Directors of Meliá Hotels International SA (until June 2015);
- Member of the Board of Directors of Alstom SA (until June 2015);
- Member of the Board of Corporación Financiera Alba SA (until May 2015).

## Claudia Nemat



50 years old

Director since 2016

Independent



### Curriculum Vitae

Born in 1968, Claudia Nemat has been a member of the Board of Management of Deutsche Telekom AG since October 2011. Mrs. Nemat led the European business of DT until the end of 2016. Since January 2017 she has led the new Board area Technology & Innovation.

Before joining Deutsche Telekom AG, Claudia Nemat spent 17 years working for McKinsey & Company where she was elected Partner in 2000, and Senior Partner ("Director") in 2006. Among other responsibilities during her time there, she was Co-leader of the global Technology Sector and managed it in the EMEA economic region.

She focuses on digital transformation, the impact of new technologies such as artificial intelligence on business models, our work and lives, complex stakeholder management, and leading global teams. Mrs. Nemat has worked in numerous European countries as well as North and South America. She was a member of the Supervisory Board of Lanxess AG and she has been a member of the Board of Directors of Airbus since 2016.

Claudia Nemat studied physics at University of Cologne and taught at the Institute of Mathematics and Theoretical Physics.



### Current Mandates:

- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of Airbus Defence and Space GmbH;
- Member of the Management Board of Deutsche Telekom AG;
- Chairperson of the Supervisory Board of Deutsche Telekom IT GmbH (related to Deutsche Telekom);
- Member of the University Council of University of Cologne.



### Former mandates for the last five years:

- Chairperson and Member of the Board of BuyIn (related to Deutsche Telekom) (until January 2017);
- Member of the Board of OTE (related to Deutsche Telekom) (until January 2017);
- Member of the Supervisory Board of LANXESS AG (until May 2016);
- Director of EE Limited (UK) (related to Deutsche Telekom) (until 2014).

**René Obermann**



*56 years old*  
*Director since 2018*  
*Independent*



**Curriculum Vitae**

In February 2015 René Obermann joined Warburg Pincus, a leading private equity firm, as a Partner and Managing Director. Subsequent to investments made by Warburg Pincus, he assumed roles as Chairman of the Board at 1&1 Internet Holding SE and Non-Executive Director of inexo KGaA. Furthermore, he serves on the boards of Allianz Deutschland AG, Telenor ASA and ThyssenKrupp AG, and is a member of the Editorial Board of DIE ZEIT.

René worked as CEO of Ziggo B.V. in The Netherlands in 2014 until the merger with LibertyGlobal's UPC in November. Prior to Ziggo, René worked at Deutsche Telekom Group (DT) from 1998 until 2013. After running DT's mobile division (T-Mobile International), he was appointed as CEO of Deutsche Telekom AG in November 2006, where he remained until December 2013.

René began his career with a business traineeship at BMW AG in Munich. Next, he founded his own business in Münster in 1986: ABC Telekom, a company marketing and distributing telecommunication equipment and providing technical services. After the acquisition of ABC Telekom by Hutchison Whampoa in 1991, René became Managing Partner of the resulting company: Hutchison Mobilfunk GmbH. Between 1993 and 1998, he was CEO of that company.

From 2007-2013, Rene also served as Vice President of the German Association for Information Technology, Telecommunications and New Media (BITKOM).



**Current Mandates:**

- Member of the Board of Directors of Airbus SE;
- Managing Director of Warburg Pincus Deutschland GmbH;
- Member of the Board of Directors of Telenor ASA;
- Member of the Board of Directors of Allianz Deutschland AG;
- Chairman of the Board of Directors of 1&1 Internet Holding SE;
- Member of the Board of Directors of Inexo Informationstechnologie und Telekommunikation KGaA.



**Former mandates for the last five years:**

- Member of the Board of Directors of ThyssenKrupp AG (until August 2018);
- Member of the Board of Directors of Compu Group Medical SE (until December 2017);
- Member of the Board of Directors of Spotify Technology SA (until July 2016);
- Member of the Board of Directors of E.ON (until June 2016).

**Carlos Tavares**



*60 years old*  
*Director since 2016*  
*Independent*



**Curriculum Vitae**

Carlos Tavares is a graduate of École Centrale Paris. He held a number of different positions with the Renault Group from 1981 to 2004 before joining Nissan. In 2009, he was appointed Executive Vice President, Chairman of the Management Committee Americas and President of Nissan North America. He was named Group Chief Operating Officer of Renault in 2011. Since 1 January 2014, he has joined the Managing Board of PSA Peugeot Citroën. He was named Chairman of the Managing Board since 31 March 2014.



**Current Mandates:**

- Member of the Board of Directors of Airbus SE;
- Director of Banque PSA Finance;
- Chairman of the Board of Directors of Peugeot Citroën Automobiles SA;
- Member of the Board of Directors of Total Group SA.



**Former mandates for the last five years:**



- Director of Faurecia SA (until October 2018);
- Manager of Bed&Breakfast in Lisbon (until March 2015);
- Director of PCMA Holding B.V. (until October 2014).

#### REPLACEMENTS OF BOARD MEMBERS IN THE COURSE OF 2018

Until AGM 2018			From AGM 2018*		
Name	Age	Status	Name	Age	Status
Mr. Hans-Peter KEITEL	70	Independent	Mr. René OBERMANN	55	Independent
Sir John PARKER	75	Independent	Mr. Victor CHU	60	Independent
Mr. Jean-Claude TRICHET	75	Independent	Mr. Jean-Pierre CLAMADIEU	59	Independent

\* Further information on the Board members can be found in the above table "Composition of the Board of Directors in 2018".

#### CHANGES IN THE COMPOSITION OF THE BOARD COMMITTEES IN THE COURSE OF 2018

Committee	Until AGM 2018*		From AGM 2018	
	Name	Status	Name	Status
Audit	Ms. Claudia NEMAT**	Member	Mr. Victor CHU	Member
			Mr. René OBERMANN	Member
ECC	Sir John PARKER	Member	Lord Paul DRAYSON	Member
	Sir John PARKER		Ms. Amparo MORALEDA	
RNGC	Mr. Hans-Peter KEITEL	Member	Mr. Jean-Pierre CLAMADIEU	Member
	Mr. Jean-Claude TRICHET	Member	Ms. Claudia NEMAT	Member

\* Further information on the Committee members can be found in the above tables "Composition of the Board of Directors in 2018" and "Replacements of Board Members in the course of 2018"

\*\* Ms. Nemat resigned from the Audit Committee in 2018 and was replaced by Mr. Victor Chu and Mr. René Obermann. The Audit Committee currently consists of 5 members instead of 4.



Chair

#### Independent Directors

The Independent Directors appointed pursuant to the criteria of independence set out above are Denis Ranque, Ralph Crosby, Catherine Guillouard, Victor Chu (from AGM 2018), René Obermann (from AGM 2018), Hermann-Josef Lamberti, Lord Paul Drayson, Maria Amparo Moraleda Martinez, Claudia Nemat, Carlos Tavares and Jean-Pierre Clamadieu (from AGM 2018).

#### Prior Offences and Family Ties

To the Company's knowledge, none of the Directors (in either their individual capacity or as Director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a Member of the administrative, management or supervisory bodies of any issuer or conduct of affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

#### (iii) Operation of the Board of Directors in 2018

##### Board of Directors Meetings

The Board of Directors met 10 times during 2018 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational activities. The average attendance rate at these meetings was 87%.

Throughout 2018, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes. For Airbus Commercial this comprised *inter alia* the ramp-up of the A320neo programme and the respective measures taken to mitigate the engine issues hampering the production at Airbus and the operations with the customers, the development of the A330neo and the ramp-up of the A350. For Defence and Space it concerned for the A400M programme the progress on the military capabilities and the retrofit and delivery plan in line with the agreement reached with OCCAR and the states; on the space side the Ariane 6 programme was the subject of a thorough review with regards to progress and the competitive landscape. Turning

to the Helicopter business, the review focused on the overall market situation and the preparation of the H160 programme for serial production. Regarding mergers and acquisitions, the most important topic was the closure of the acquisition of a majority stake in the Bombardier C Series programme which represents an important addition to complement the Airbus product range at the smaller end of the aircraft market.

Last year's off-site Board meeting in September in Beijing focused on the review of the Division and product strategies and the related business developments as well as the overall strategy of the Company. The Board of Directors seized the opportunity to visit the A320 final assembly line and the A330 completion and delivery centre in Tianjin.

In 2018, the Board of Directors continued to support the Company's digital transformation and to enhance the Company's ability to identify and capitalise on innovative technologies and business models. After thorough preparation, 2018 saw the industrialisation and acceleration of the digital concepts. One of the most advanced is the Skywise project, a global data platform which can create significant value across the whole aerospace industry. Other projects transforming the engineering and manufacturing landscape are in progress.

Moreover the Board of Directors reviewed Airbus' financial results and forecasts and, in line with the recommendations of the Audit Committee, emphasised the importance of both Enterprise Risk Management ("**ERM**") and a strengthened internal control system.

A substantial share of the Board activities was dedicated to compliance matters. Following a recommendation by the Ethics & Compliance Committee, the Board strengthened the Ethics & Compliance organisation by allowing a reinforcement of its resources, so helping to improve the Company' culture of integrity. The Board also continued to closely monitor the Serious Fraud Office / Parquet National Financier investigations. In addition, the Board received advice from the "Independent Compliance Review Panel", which is composed of renowned international experts, with respect to its compliance activities in order to build a state of the art Ethics & Compliance programme and organisation.

Following the departure of some members of the Executive Committee in early 2018 and the announcement that the current CEO and Chief Financial Officer ("**CFO**") would leave the Company at the next AGM, the Board dedicated a large part of its work in 2018 to the search and nomination of a new generation of leaders to prepare the Company for the challenges of the next decade. The RINGC has run, for each of the positions to be filled, a thorough process in which internal and external candidates have been identified and assessed. The shortlisted candidates were then proposed to the Board and interviewed by Board Members. Already in the course of 2018, the vacancy for a Chief Technical Officer ("**CTO**") was filled by Grazia Vittadini, who became the first female member of the Executive Committee. By the end of 2018, successors for key positions had been selected and announced – in particular for the CEO, the CFO and the Chief Operating Officer ("**COO**").

#### Board Evaluation 2018

As a matter of principle, the Board of Directors has decided that a formal evaluation of the functioning of the Board of Directors and its Committees with the assistance of a third-party expert is conducted every three years. In the year succeeding the outside evaluation, the Board of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third-party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2018 was the intervening second year of the abovementioned three-year cycle. In October 2018, the Board of Directors therefore performed a self-evaluation based on a questionnaire issued by the General Counsel and circulated to each Board Member.

The questionnaire primarily covered governance and Board agenda, Board and Board Committees functioning, interactions are dynamic amongst Board members and between Board and Management, Board composition and renewal process, Board and Board Committees fees, Board Committees contributions and involvement of Remuneration, Nomination and Governance Committee in succession planning. With respect to the Remuneration policy, the Board Members were provided the opportunity to express their views on their own remuneration.

In the 2018 self-evaluation, the Board Members confirmed overall satisfaction with the progress made in the implementation of the Board's "Improvement Action Plan" recommended by Heidrick & Struggles as its third-party expert, following the formal evaluation conducted in 2017.

The Board Members also confirmed overall satisfaction with the dynamics of the Company's governance and its performance. The outcome of the questionnaire notably highlighted the improved balance of powers and constructive interactions amongst Board Members and between the Board and Management, as well as open debates between the Board Members. The efficient decision-making process of the Board is supported by the adequate preparation of Board meetings, suitable time allocated to agenda items and valuable contributions of the Board Committees.

Following the last Board review, one-to-one sessions between Board Members took place to improve connections between them. Top Management team members have been regularly invited to participate to Board meetings to discuss specific topics; and Board Members expect the frequency of this participation to be improved in 2019.

In addition, the Board has dedicated more time to risk and performance management, succession planning and talent development, as well as to other important matters for which discussions need to be still further enhanced, such as strategy, digital transformation, Responsibility & Sustainability, employee engagement and anticipation of significant potential issues.

Finally, the Board Members expressed their overall satisfaction with regards to the Board composition and renewal process. They highlighted the necessity to continue with the principle of staggering Board appointments in order to further develop its diversity of expertise and gender.



### 4.1.1.2 Board Committees

#### a) The Audit Committee

The Audit Committee has five (5) Members and is chaired by an Independent Director who is not the Chair of the Board of Directors or a current or former Executive Director of the Company. The Chair of the Audit Committee shall be, and the other members of the Audit Committee may be, financial experts with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the financial statements, and it monitors the adequacy of Airbus' internal controls, accounting policies and financial reporting. It also oversees the operation of the Company's ERM system and keeps a strong link to the Ethics and Compliance Committee. For further details in this regard, see "— 4.1.3 Enterprise Risk Management System". Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The 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 2018, it met five times with an average attendance rate of 88%, it discussed all of the items described above during the meetings and it fully performed all of the duties described.

#### b) The Ethics and Compliance Committee

To reinforce oversight of ethics and compliance matters at the Board of Directors level, a dedicated Ethics and Compliance Committee ("E&C Committee" or "ECC") was established in 2017 and the Board Rules have been amended accordingly. Pursuant to the Board Rules the main mission of the E&C Committee is to assist the Board in monitoring Airbus' culture and commitment to ethical business and integrity. This committee is empowered to oversee Airbus' ethics and compliance programme, organisation and framework in order to make sure that Airbus ethics and compliance governance is effective (including all associated internal policies, procedures and controls). This includes the areas of money laundering and terrorist financing, fraud, bribery and corruption, trade sanctions and export control, data privacy, procurement and supply chain compliance and anti-competitive practices.

The E&C Committee has five (5) Members and is chaired by any of its members. Each member should be an Independent Director. Both the chairman of the Audit Committee and the chair of the RNGC is a member of the E&C Committee.

The E&C Committee makes recommendations to the Board of Directors and its Committees on all ethics and compliance-related matters and is responsible for providing to the Audit Committee any necessary disclosures on issues or alleged ethical and compliance breaches that are financial and accounting-related. The E&C Committee maintains a reporting line with the Chief Ethics and Compliance Officer, who is requested to provide periodic reports on its activities.

The Chairman of the Audit Committee and the Chair of the RNGC are members of the E&C Committee. Unless otherwise decided by the E&C Committee, the CEO is invited to attend the meetings. From time to time, independent external experts and the Independent Compliance Review Panel are also invited to attend E&C Committee meetings.

The E&C Committee is required to meet at least four times a year. In 2018, the E&C Committee met in total 11 times with an average attendance rate of 93%. All of the above described items were discussed during the meetings and the E&C Committee fully performed all the above-described duties.

#### c) The Remuneration, Nomination and Governance Committee

The RNGC has four (4) Members, with geographic diversity. Each Member of the RNGC is an Independent Director. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the French State Security Agreement. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the German State Security Agreement. The Board of Directors, by a Simple Majority (defined below), appoints the chair of the RNGC, who may not be any of the following:

- the Chairman of the Board of Directors;
- a current or former Executive Director of the Company;
- a Non-Executive Director who is an Executive Director with another listed company; or
- a Director appointed to the Board of Directors on the basis of the French State Security Agreement or the German State Security Agreement.

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

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

In addition, the RNGC reviews the Company’s top talent, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Executive Committee Members, the Long-Term Incentive Plans (“LTIP”), and the variable pay for the previous year.

Finally, the RNGC performs regular evaluations of the Company’s corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position (“best person for the job”), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, *etc.* The implementation of these principles should, however, not create any restrictions on the diversity within the Company’s executive management team.

The RNGC is required to meet at least four times a year. In 2018, it met nine times with an attendance rate of 89%, it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

### 4.1.1.3 The Executive Committee

#### a) Nomination and Composition

The Executive Committee of Airbus (the “**Executive Committee**”) is chaired by the Chief Executive Officer and its members are appointed on the basis of their performance of their individual responsibilities as well as their respective contribution to the overall interest of Airbus.

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

- the preference for the best candidate for the position;
- the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least 2/3 of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee as proposed by the CEO.

#### b) Role of the Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus’ business and he shall be accountable for its proper execution. For this purpose, the CEO regularly seeks advice from his core executive management team (“**EMT**”), which comprises some of the Executive Committee Members, on Airbus-wide topics such as corporate matters or major ongoing projects as well as on business development and performance improvement opportunities.

The Executive Committee further supports the CEO in performing these tasks, ensuring proper alignment of the Company’s management beyond the EMT. The Executive Committee Members shall jointly contribute to the overall interests of the Company, in addition to each Member’s individual operational or functional responsibility within Airbus. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

#### c) The Executive Committee in 2018

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;
- setting 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 Board Members to get to know the Executive Committee Members and equips them to make judgements when it comes to decisions about key positions.

The Executive Committee met four times during 2018.

## COMPOSITION OF THE EXECUTIVE COMMITTEE AT THE END OF 2018

Name	Start of term	Principal Occupation
Tom Enders	2012	Chief Executive Officer Airbus
Guillaume Faury	2018	President Airbus Commercial Aircraft
Dirk Hoke	2016	Chief Executive Officer Airbus Defence and Space
Bruno Even	2018	Chief Executive Officer Airbus Helicopters
Harald Wilhelm	2012	Chief Financial Officer Airbus
Thierry Baril	2012	Chief Human Resources Officer Airbus & Airbus Commercial Aircraft
John Harrison	2015	General Counsel Airbus
Grazia Vittadini	2018	Chief Technology Officer Airbus
Philippe Mhun	2019	Chief Programmes and Services Officer Airbus Commercial Aircraft
Klaus Richter	2015	Chief Procurement Officer Airbus

Note: Status as per 1 January 2019. The professional address of all Members of the Executive Committee for any matter relating to Airbus is Mendelweg 30, 2333 CS Leiden, the Netherlands.

### Tom Enders – Chief Executive Officer Airbus

(see above under “– 4.1.1.1 Board of Directors”)

### Guillaume Faury – President Airbus Commercial Aircraft

Guillaume Faury, President of Airbus Commercial Aircraft was appointed to the role in February 2018. Previously he was President and CEO of Airbus Helicopters, since May 2013. He is a member of the Executive Committee.

On 8 October 2018, Guillaume was chosen to become Airbus' next Chief Executive Officer (CEO) by the company's Board of Directors. He is due take up his new position on 10 April 2019, when his appointment will be submitted to shareholders for their approval at Airbus's Annual General Meeting. Until then, Tom Enders will remain as the Company's CEO.

A licensed flight test engineer, Guillaume Faury joined Airbus Helicopters from Peugeot SA, where he served as Executive Vice-President for Research and Development and as member of the Managing Board.

Between 1998 and 2008, he held several executive positions in Eurocopter operations and commercial domains. In addition, Faury was a member of the Eurocopter Executive Committee.

He started his professional career with the French Defense Procurement Agency DGA, where he was in charge of the Tiger helicopter flight test activities at the Istres Flight Test Centre.

Guillaume Faury holds an engineering degree from the École Polytechnique in Paris as well as an aeronautics and engineering degree from the École Nationale Supérieure de l'Aéronautique et de l'Espace in Toulouse.

### Dirk Hoke – Chief Executive Officer - Airbus Defence and Space

Dirk Hoke is the designated Chief Executive Officer (CEO) of Airbus Defence and Space as of 1 April 2016. He started on 1 January 2016 as Deputy CEO. He is a member of the Executive Committee.

Dirk Hoke joined Airbus from Siemens, where he had been CEO of the Large Drives Business Unit since 2014. He has held various executive-level positions at Siemens since becoming

CEO of the Cluster Western & Central Africa in 2008. His career spans 21 years and five continents.

In 1994, Dirk Hoke began his professional career as R&D Engineer for process and software analysis in the automotive industry at Renault in Paris. In 1996, he joined Siemens through an international trainee programme with assignments in Germany, Argentina and Austria. He then held various management posts in the Transportation Systems Division based in Germany. He relocated to Sacramento, USA, as Head of the Transportation Systems restructuring team in 2001.

Dirk Hoke continued his professional career at Siemens as General Manager for the Transrapid Propulsion and Power Supply Subdivision from 2002 to 2005 including the Shanghai “Maglev” project. He was then promoted to President of Siemens Transportation Systems China and made Siemens the largest foreign railway supplier in the country.

In 2008, Dirk Hoke moved to Morocco to lead Siemens' Africa activities. He returned to Germany in 2011 to become the Division CEO of Industrial Solutions with the special task to build up the services business for the Industry Sector. Afterwards, he was called upon to restructure the Large Drives Business Unit.

Dirk Hoke holds a degree in mechanical engineering from the Technical University of Brunswick, Germany. In 2010, Dirk Hoke became a member of the Young Global Leader Class of the World Economic Forum and in 2013, member of the Baden Baden Entrepreneur Talks.

Born on 2 April 1969, Dirk Hoke is married with two children.

### Bruno Even – Chief Executive Officer – Airbus Helicopters

Bruno Even was appointed Chief Executive Officer (CEO) of Airbus Helicopters as of 1 April 2018. He is a member of the Airbus Executive Committee.

He joined the company from Safran, where he held various management positions at the Helicopter Engines and Electronic & Defence businesses. Since 2015, he served as Chief Executive Officer of Safran Helicopter Engines (ex-Turbomeca). Prior to that position, he was CEO of Safran Electronics & Defence (exSagem).

Bruno Even graduated from the École Polytechnique and began his professional career in 1992 at the French Ministry of Defence, where he was in charge of developing the space component for the Helios II satellite.

In 1997, he transferred to the Ministry of Foreign Affairs to become technical advisor for the Director of Strategic Affairs, Security and Disarmament. He moved to the private sector and joined Safran in 1999.

#### **Harald Wilhelm – Chief Financial Officer Airbus**

Harald Wilhelm has been Chief Financial Officer of Airbus and Airbus Commercial Aircraft since 1 June 2012 and is a member of the Executive Committee.

He has held the role of Airbus Commercial Aircraft CFO since 1 February 2008. Previously, he was Airbus Commercial Aircraft Chief Controlling Officer and deputy to the Chief Financial Officer, a position to which he was appointed on 1 January 2007.

Prior to this, he was Senior Vice President, Airbus Commercial Aircraft Financial Control, a role he held from 2003 to 2006. Wilhelm joined Airbus Commercial Aircraft in 2000 as Senior Vice President, Accounting, Tax and Financial Services.

Before joining Airbus, Wilhelm had been Vice President M&A (mergers and acquisitions) at DaimlerChrysler Aerospace from 1998, where he worked on projects including the integration of Airbus into a single company. Prior to this, he had been Senior Manager M&A at Daimler-Benz Aerospace from 1995 to 1998 and M&A Manager for the Company between 1992 and 1993.

Born in April 1966 in Munich, Wilhelm has a degree in Business Studies from Ludwig Maximilians University in Munich.

#### **Thierry Baril – Chief Human Resources Officer Airbus**

Thierry Baril was appointed Chief Human Resources Officer of Airbus on 1 June 2012. In addition, Baril continues to serve as Airbus Commercial Aircraft Chief Human Resources Officer.

Thierry Baril joined Airbus Commercial Aircraft in 2007 as Executive Vice President, Human Resources, and Member of the Airbus Commercial Aircraft Executive Committee, with responsibility for defining and implementing a company-wide Human Resources strategy, enhancing integration and employee engagement. He oversaw the development of key skills and competences to support business growth and greater internal mobility. One of his main achievements was the transformation of the Company in the areas of leadership culture and diversity, having played a key role in the implementation of “Power8” and Airbus’ internationalisation strategy.

Prior to this, Thierry Baril was Executive Vice President Human Resources at Eurocopter – now Airbus Helicopters – and member of the Eurocopter Executive Committee from January 2003. In this position, Baril managed the Company’s Human Resources activities globally, including the implementation of Human Resources policies across Eurocopter’s European sites and its 15 subsidiaries worldwide. He was instrumental in the implementation of “Vital”, a programme which transformed Eurocopter as a business.

Thierry Baril started his career in 1988 as Deputy Human Resources Director at Boccard SA, and transferred to Laborde & Kupfer-Repelec, a subsidiary of GEC ALSTHOM, as Human Resources Manager in 1991.

From 1995, Thierry Baril held roles as Human Resources Director of the Alstom Energy Belfort site and Vice President of Human Resources of the Alstom Energy Group.

Following on from his experience at Alstom Energy, in 1998 Thierry Baril became Managing Director of Human Resources for Europe for GE (General Electric) at their Belfort Headquarters, followed by Vice President of Human Resources at Alcatel Space’s Headquarters in Toulouse from 2000.

#### **John Harrison – General Counsel Airbus**

John Harrison has been General Counsel since June 2015. Solicitor of the Supreme Court of England & Wales, John Harrison completed his academic studies at the University of McGill, Montréal, Canada. He holds a Bachelor LLB (Hons) and Masters LLM of Laws degree.

John Harrison began his career in 1991 at the international law firm Clifford Chance, working consecutively in their London, New York and Paris offices.

He joined Airbus then Technip S.A. where he served as Group General Counsel and Member of the Executive Committee from 2007-2015.

Prior to joining Technip, Mr Harrison fulfilled various senior legal positions in Airbus companies over a 10 year period culminating his tenure from 2003-2007 as General Counsel of the EADS Defence Division.

John Harrison was born on 12 July 1967 in the United Kingdom.

#### **Grazia Vittadini – Chief Technology Officer Airbus**

Grazia Vittadini has been appointed Chief Technology Officer (CTO) of Airbus and a member of the Airbus Executive Committee, effective 1 May 2018.

Furthermore, she serves as Director of the Airbus Foundation Board and as a member of the Inclusion and Diversity Steering Committee.

Previously, Vittadini was Executive Vice President Head of Engineering since January 2017 and member of Executive Committee of Airbus Defence and Space.

Prior to this position, she had been Senior Vice President Head of Corporate Audit & Forensic, responsible for Airbus Group audit activities worldwide.

Since January 2013 and for one year and a half, Grazia was Vice President Head of Airframe Design and Technical Authority for all Airbus aircraft.

Always leading transnational teams in multiple locations, she also served as Chief Engineer on the Wing High Lift Devices of the A380 in Bremen from First Flight to In-Service (2005-2009) and then contributed to securing First Flight and Type Certification of the A350 XWB aircraft as Head of Major Structural Tests in Hamburg. The Major Tests for A320 Extended Service Goal, A380 and A400M were also in her scope.

Vittadini began her professional career on the Italian side of the Eurofighter Consortium, before joining Airbus Operations in Germany in 2002 and setting on her path towards senior management positions.

Grazia Vittadini graduated in Aeronautical Engineering and she specialized in Aerodynamics from the Politecnico di Milano.



#### **Philippe Mhun - Chief Programmes and Services Officer - Airbus Commercial Aircraft**

Philippe Mhun was appointed as Chief Programmes & Services Officer for Airbus Commercial Aircraft, effective 1 January 2019, and a member of the company's Executive Committee.

In his previous role as Head of Customer Services since October 2016, Philippe Mhun was responsible for all Airbus support and services activities for airline customers, lessors, MROs and operators, ranging from maintenance and engineering to training, upgrades and flight operations but also material management and logistical support. This included the supervision of the Services Business Unit and affiliated subsidiaries, such as Satair, Navblue, Airbus Interiors Services and Sepang. For the past two years, Philippe has initiated and implemented a major transformation programme focusing on Customer Satisfaction, Services development and digital enablers such as Skywise applications.

Prior to this assignment, Philippe was Senior Vice President Procurement for Equipment, Systems and support, a position he held since 2013.

Philippe joined Airbus in November 2004 as Vice President A380 Programme within Customer Services to prepare and support the A380 entry-into-service. He then became Vice President Programmes in Airbus Customer Services leading Single Aisle, Long Range, Widebody, A380 and A350 Programmes together with e-operations and supplier support activities.

Before joining Airbus, Philippe held various positions within UTA and, following the merger in 1993, within Air France, starting as a Structure Engineer for Boeing 747 at UTA all the way up to becoming the Head of Long-Haul Fleet Engineering and Maintenance in Air France. From 1986 to 2004, Philippe was involved in new programmes' entry-into-service, engineering and maintenance at all levels of the company.

#### **Klaus Richter – Chief Procurement Officer Airbus**

Klaus Richter became Chief Procurement Officer for Airbus SE on 1 January 2015. In this function, he is a member of the Executive Committee and the Airbus Executive Committee.

In addition, he serves as the Chairman of the Board of Airbus in Germany and leads the supervisory board of Premium AEROTEC Group.

He is in charge of procurement across the entire Airbus Commercial Aircraft organisation, having responsibility for developing strong partnerships with suppliers and ensuring timely delivery of all purchased goods on cost and with the proper quality.

In addition, Richter leads the General Procurement Organisation of Airbus. He coordinates strategic procurement topics, as well as the development and application of procurement processes and tools across the Group. Richter is also responsible for the Airbus Regional Sourcing Offices in the U.S., India and China.

In January 2017, Klaus Richter also assumed the role of the president of the German Aerospace Industries Association (BDLI).

Richter joined Airbus in November 2007 as Executive Vice President Procurement for Airbus. Before joining the Group, Richter was Senior Vice President Materials Purchasing for BMW, based in Munich, Germany. In this position, he was heading all supplier relations for direct materials and equipment across the entire company.

Klaus Richter began his professional career with McKinsey & Company in 1993 as a management consultant for automotive, electronics and aerospace businesses and product development, a role which he retained until he joined the BMW Group in 2003 as Head of Purchasing Strategy for production materials.

Richter graduated from the Technical University of Munich where he obtained a doctorate in mechanical engineering in 1991. After graduation he received a Humboldt scholarship and spent two years as a researcher and teacher at the University of California at Berkeley.

Born in Munich on 29 September 1964, Klaus Richter is married with two children.

## **4.1.2 Dutch Corporate Governance Code, “Comply or Explain”**

In accordance with Dutch law and with the provisions of the Dutch Code as amended in 2016, which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the “comply or explain” principle, provide the explanations below.

On 8 December 2016, the Dutch Code was revised; its updated recommendations apply to financial years starting on or after 1 January 2017.

Airbus welcomed the updates to the Dutch Code and continues supporting the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture.

For the full text of the Dutch Code as well as the New Code, please refer to [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

For the financial year 2018 and in respect of compliance with the Dutch Code, the Company states the following:

### **1. Vice-Chairmanship**

Provision 2.3.6 (ii) of the Dutch Code recommends the election of a vice-chairman, to, among other things, deal with the situation when vacancies occur.

The Board of Directors is headed by the Chairman of the Board of Directors and no vice chairman 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. Under this provision of the Dutch Code, severance pay should not be awarded if the Board membership is terminated early at the initiative of the Executive Board Member, or in the event of seriously culpable or negligent behaviour on the part of the Executive Board Member.

The Company foresees a termination indemnity for the sole Executive Board Member, the CEO, equal to one and a half times the annual total target salary 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.

The Company does not encourage non-Executive Directors to own shares, but also does not require its non-Executive Directors who hold shares in its share capital, to keep such shares as a long-term investment. Although non-Executive Directors are welcome to own shares of the Company, the Company considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or may be a source of bias against objective decisions.

## 4. Dealings with Analysts

Provision 4.2.3 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time and that after the meetings the presentations shall be posted on the Company's website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

## 5. Gender Diversity

The Company strives to comply with the composition guidelines regarding gender diversity under Dutch law pursuant to which the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and at least 30% men. The proportion of the female representation on the Board of Directors is currently at 25% (against 0% six years ago). The Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1.1 above. In addition, the Company will continue to give due consideration to any applicable gender targets in its search to find suitable candidates and to actively seek female candidates. However, the Company believes that candidates should not be recruited based on gender alone; the capabilities and skills of potential candidates are most important in this respect.

Furthermore, the Company is committed to supporting, valuing and leveraging the value of diversity. That being said, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being "the right person for the job". Although the Company has not set specific targets with respect to particular elements of diversity, except for the principles described in 4.1.1.1 above and those targets which apply by law, the Company is committed to seeking broad diversity in the composition of the Board of Directors and its Executive Committee and will consider attributes such as personal background, age, gender, experience, capabilities and skills when evaluating new candidates in the best interests of the Company and its stakeholders.

The Company believes that the composition of its Board of Directors and its Executive Committee is consistent with these diversity objectives.

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## 4.1.3 Enterprise Risk Management System

Airbus' long-term development and production lifecycle make 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 and early warnings;
- Robust risk mitigations; and
- Opportunities.



### 4.1.3.1 ERM Process

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

The ERM process consists of four elements:

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

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

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

For a discussion of the main risks to which the Company is exposed, see "– Risk Factors".

### 4.1.3.2 ERM Governance and Responsibility

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

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

### 4.1.3.3 ERM Effectiveness

The ERM effectiveness is analysed by ERM centre of competence ("CoC"), based on ERM reports, confirmation letters, *in situ* sessions (e.g., risk reviews), participation to key controls (e.g., major Programme Maturity Gate Reviews) and Corporate Audit, based on internal corporate audit reports.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	Explanations
Board of Directors / Audit Committee	<b>Regular monitoring</b> The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. Any material failings in, material changes to, and/or material improvements of the ERM system which are observed, made and/or planned are discussed with the Board and the Audit Committee.
Top Management	<b>ERM as part of the regular divisional business reviews</b> 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	<b>ERM confirmation letter procedure</b> Entities and department heads that participate in the annual ERM compliance procedures must sign ERM Confirmation Letters.
ERM CoC	<b>ERM effectiveness measurement</b> 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	<b>Continuous monitoring and audits on ERM</b> Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	<b>Alert System</b> Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

#### 4.1.3.4 Board Declaration

Based on the Company's current state of affairs, the reports made directly available to the Board of Directors, coming from different processes, audits and controls and the information it received from management, the Board of Directors believes to the best of its knowledge that:

- the internal risk management and control system provides reasonable assurance that the financial reporting does not contain any material inaccuracies;
- this report provides sufficient insight into any material failings in the effectiveness of the internal risk management and control systems.
- it is justified that the financial statements have been prepared on a going concern basis; and

- this report states the material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

It should be noted that no matter how well designed, the internal risk management and control system has inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's internal risk management and system and procedures are or will be, despite all care and effort, entirely effective.

### 4.1.4 Internal Audit

In accordance with Principle 1.3 of the Dutch Code, Airbus Corporate Audit and Forensic assesses and provides objective assurance on the design and effectiveness of the Company's risk management, internal controls and governance systems. Its mandate is set out in the Airbus Corporate Audit and Forensic Charter.

Corporate Audit & Forensic engages in the independent and objective corporate assurance activities of internal auditing and forensic investigations. It supports the Company in improving its operations and accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's governance, risk management and internal controls. The function includes a team of forensic specialists who assist Airbus and the Legal and Compliance function by leading and supporting investigations of compliance allegations.

The department's independence is established by direct reporting to the Audit Committee and CEO. Corporate Audit & Forensic adheres to the Institute of Internal Auditor's Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing as well as relevant policies and procedures of the Company. The department was recertified by the *Institut français de l'audit et du contrôle internes* (IFACI) in 2018.

## 4.2 Interests of Directors and Principal Executive Officers

### 4.2.1 Remuneration Policy

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

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

An 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 2019. The application of the Remuneration Policy in 2018 will be included as a separate agenda item for discussion at the AGM to be held in 2019. To see how the Remuneration Policy was applied in 2018 in respect of the CEO (the only Executive Member of the Board of Directors, see “— 4.2.1.5 Implementation of the remuneration policy: CEO”. The cumulated remuneration of all Executive Committee Members is presented in the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

To see how the Remuneration Policy was applied in 2018 in respect of the non-Executive Members of the Board of Directors, see “— 4.2.1.6 Implementation of the remuneration policy: Non-Executive Directors”.

#### 4.2.1.1 Executive Remuneration – Applicable to the CEO

Except with respect to the amendments proposed in Section 4.2.1.4 “Proposed amendments to the remuneration policy”, related to contracts and severance provisions, there will be no change in the remuneration policy in connection with the proposed appointment of a future CEO at the 2019 AGM; the policy as presented below will continue to apply.

#### a) Remuneration Philosophy

The Company’s remuneration philosophy aims to provide remuneration that will attract, retain and motivate high-calibre executives, whose contribution will ensure that the Company

achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders.

The Board of Directors and the RNGC are committed to making sure that the executive remuneration structure is transparent and comprehensive for all stakeholders, and to ensure that Executive rewards are consistent and aligned with the interests of long-term shareholders also taking into consideration salary evolution of employees across the group.

Before setting the targets to be proposed for adoption by the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, including achieving maximum performance thresholds, and how these may affect the level and structure of the Executive remuneration.

#### b) Total Direct Compensation and Peer Group

The CEO’s total direct compensation (“Total Direct Compensation”) comprises a Base Salary (“Base Salary”), an annual variable remuneration (“Annual Variable Remuneration” or “VR”) and a Long-Term Incentive Plan (“LTIP”). The three elements of the Total Direct Compensation are each intended to comprise one-third of the total, assuming the achievement of performance conditions is 100% of target.

The level of Total Direct Compensation for the CEO (Base Salary, VR and LTIP) is set at the median of an extensive peer group and takes into account the scope of the role of the CEO and the level and structure of executive rewards within Airbus. The benchmark is regularly reviewed by the RNGC and is based on a peer group which comprises:

- global companies in Airbus’ main markets (France, Germany, UK and US); and
- companies operating in the same industries as Airbus worldwide.

The latest benchmark performed in November 2018 was based on the relevant peer group composed of 76 companies selected from CAC 40 in France, DAX 30 in Germany, FTSE 100 in the UK and DJ 30 in the US as well as large European companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group.

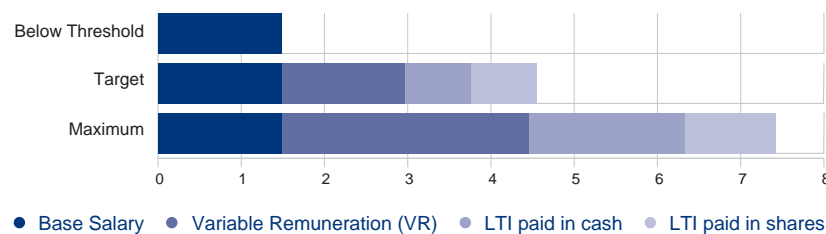
The elements of the Total Direct Compensation are described below:

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

(1) The Company continues to use the term EBIT (earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.  
 (2) Airbus defines the alternative performance measure free cash flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes, (v) realised treasury swaps and (vi) bank activities ("Free Cash Flow" or "FCF"). It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.

As illustrated in the table below, the structure of the CEO's Total Direct Compensation will remain unchanged in 2019. This will apply in the same way to a future CEO. Indeed, the on-target levels of VR and LTIP will each amount to 100% of the CEO's Base Salary.

SCENARIOS CURRENT CEO TOTAL DIRECT COMPENSATION



Indications are based on the current CEO's remuneration and are in million euros.

"Below Threshold" includes annual Base Salary; VR at 0%; LTIP not vesting.

"Target" includes Base Salary, VR at target and LTIP grant face value in cash and in shares.

"Maximum" includes Base Salary; maximum VR value (200% of VR at target); maximum LTIP cash grant projected at vesting date (250% of grant value); maximum performance applicable to the number of shares granted (150%). The share price development is unpredictable. The final value of Performance Shares cannot be capped.

**c) Base Salary**

The CEO's Base Salary is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

**d) Annual Variable Remuneration**

The Variable Remuneration is a cash payment that is paid following the end of each financial year, depending on the achievement of specific and challenging performance targets as determined at the beginning of each financial year. The level of the CEO's Variable Remuneration is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire Variable Remuneration is at-risk, and

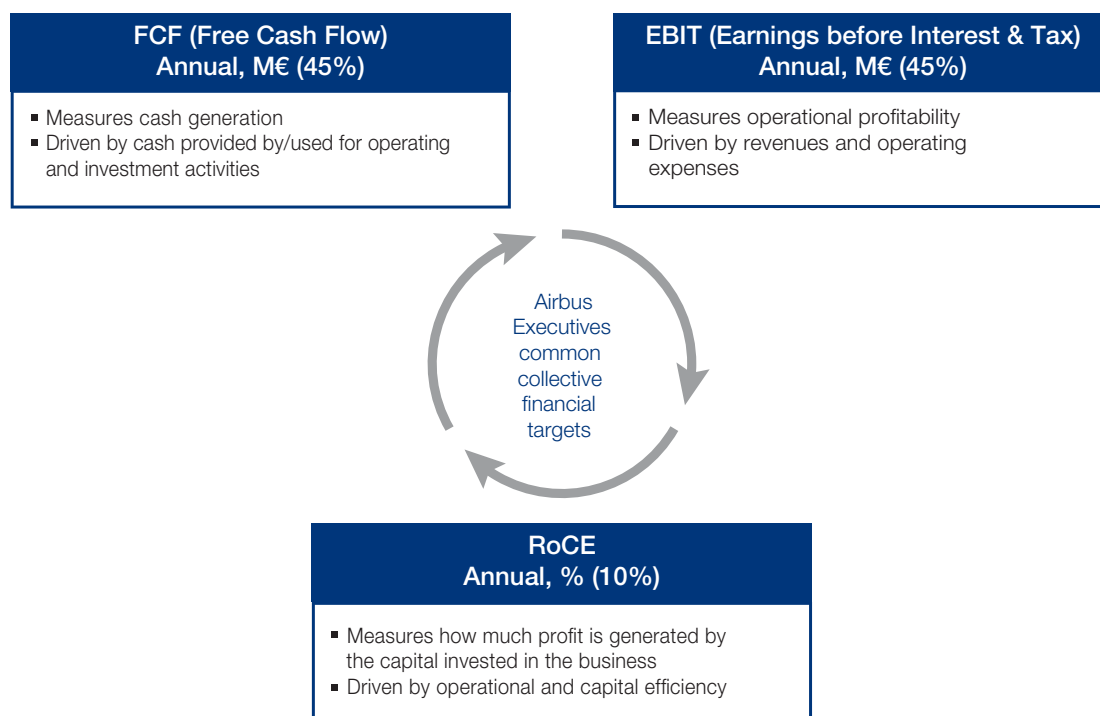
therefore if performance targets are not achieved as per the defined objectives agreed by the Board of Directors, no Variable Remuneration is paid.

The performance measures that are considered when awarding the Variable Remuneration to the CEO are split equally between common collective performance measures and individual performance measures.

**Common Collective Component**

The common collective component is based on EBIT (45%), Free Cash Flow (45%) and return on capital employed ("RoCE") (10%) objectives ("Common Collective Component"). At the beginning of each year, the Board of Directors sets the targets for these key value drivers at Group and Division levels. The common collective financial targets relate closely to internal planning and to guidance given to the capital markets (although there may be variations from these).

To calculate the common collective annual achievement levels, actual EBIT, Free Cash Flow and RoCE performance is compared against the targets that were set for the year. This comparison forms the basis to computing achievement levels, noting that the actual EBIT, Free Cash Flow and RoCE levels are occasionally normalised for a limited number of factors which are outside management control (such as certain foreign exchange impacts or unplanned merger and acquisition activities). The RNGC's intention is to ensure ambitious financial targets and to incentivise the CEO's commitment to meeting these targets.



In order to reinforce the alignment between the Company's strategy, values and remuneration structure, the Company is contemplating including in the Common Collective Component a specific R&S-related performance criterion in the future. The RNGC will seek to ensure alignment of the chosen R&S criteria with the 2018 Company's Priorities that are shared with all employees, while also making sure that the criteria can be measured.

**Individual Component**

The individual element (“Individual Component”) focuses on **Outcomes** and **Behaviour** (as defined below). Individual performance is assessed in these two important dimensions:

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the 2018 Company Priorities;
- **Behaviour** refers to the way results have been achieved, which is also critical for long-term success: how the CEO and the Board of Directors work as a team, how the CEO leads the Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the behaviour assessment relates to ethics, R&S and quality issues.

**e) Long-Term Incentive Plan**

There are two types of Long-Term Incentive Plans (“Long-Term Incentive Plans” or “LTIP”): until 2015, LTIP was made up of Performance Units (“Performance Units” or “Units”) only. Since 2016, following the approval of amendments by shareholders at 2016 AGM, the LTIP has been composed of a mix of Performance Units and Performance Shares (“Performance Shares” or “Shares”).

The value of the CEO’s LTIP allocation is capped as a percentage of the Base Salary at the date of grant and subject to performance conditions.

The achievement of the performance criteria is assessed over a three-year period based on relevant financial criteria with stringent targets set in advance and agreed by the Board of Directors, as demonstrated by past Company practices.

Both Performance Units and Performance Shares that vest can vary between 0% and 150% of the Units and Shares granted, subject to cumulative performance over a three-year period. The level of vesting is subject to the following performance measures:

- 0-50% of the allocation: In principle, this element of the Performance Unit/Share award will not vest if the Company reports negative cumulated **EBIT** results. Nonetheless, in case the Company’s EBIT results are impacted by exceptional and unpredictable circumstances, the Board of Directors, upon recommendation of the RNGC, may decide that a maximum portion of 50% of the allocation will vest;
- 50-150% of the allocation: This element of the Performance Unit/Shares vests based on the two following performance criteria: average earnings per share (75%) (“Earnings Per Share” or “EPS”) and cumulative **Free Cash Flow** (25%). Before the 2013 plan, it used to vest according to one performance criteria only: average **Earnings Per Share**.

Earnings per Share Average over 3 years	Free cash Flow Cumulated over 3 years, M€
<ul style="list-style-type: none"> <li>▪ Measures profitability</li> <li>▪ Driven by net income and number of shares</li> </ul>	<ul style="list-style-type: none"> <li>▪ Measures cash generation</li> <li>▪ Driven by cash provided by/used for operating and investment activities</li> </ul>

For reasons of confidentiality, the precise targets set for the average EPS and cumulative Free Cash Flow, even though they have been properly established in a precise manner, cannot be publicly disclosed as these objectives are in part linked to the Company’s strategy. Nonetheless, for the sake of transparency and to ensure compliance with best market practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provided for the previous Long-Term Incentive Plans.

The vesting of Performance Units and Shares is subject to the following maximum cap:

- the maximum level of vesting is 150% of the number of Units/Shares granted.

The vesting of Performance Units is subject to the following maximum caps:

- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
- the overall pay-out is capped at 250% of the value at the date of grant





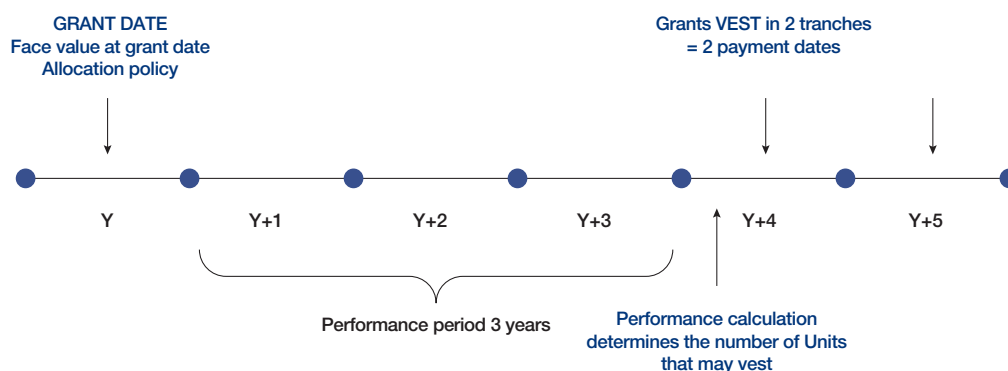
**Performance Units plan characteristics (until and including 2015 plan)**

Performance Units are the long-term equity-related incentive awards that were granted to the CEO until 2015. LTIP awards were granted each year. Each grant was subject to a three-year cumulative performance objective. At the end of the three-year period, the grant was subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 vested in four tranches, the payment of which took place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed in 2014 and 2015 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.

At the date of grant, the CEO had to what portion of the allocation (subject to the performance calculation) was to be released as cash payments and what portion was to be converted into shares. At least 25% (and up to 75%) of the award had to be deferred into shares, and would be released on the last vesting date. For the conversion into shares, one Unit corresponds to one Airbus share.

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

LTIP-SCHEME 2014 AND 2015



**Performance Units and Performance Shares characteristics (since 2016)**

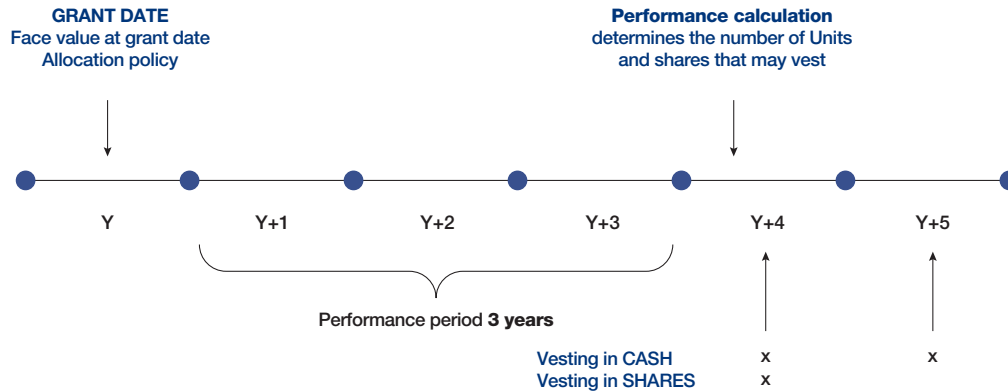
Since the 2016 plan, the CEO's LTIP is comprised of a mix of Performance Units and Performance Shares in order to increase the alignment with shareholders' interests. For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

For the CEO, the value of the Performance Unit and Share allocation is capped, at the time of grant, at 100% of the Base Salary.

At the end of the three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest.

Depending on continued employment, Performance Units attributed since 2016 will vest in two tranches, the payment of which takes place approximately 6 and 18 months following the end of the performance period. Performance Shares would vest in one tranche, approximately 6 months following the end of the performance period.

LTIP-SCHEME SINCE 2016



**f) Share Ownership Guideline**

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

**g) Benefits**

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

**h) Retirement**

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

**i) Clawback**

Recent changes to Dutch law introduced the possibility for the Company to deduct or claw back part of the CEO's variable cash remuneration (*i.e.* VR) or equity-related remuneration (excluding the LTIP element settled in cash) served by the Company if certain circumstances arise.

Any revision, claw back, or amounts deducted from the CEO's remuneration will be reported in the notes of the relevant financial statements.

**j) Loans**

The Company does not provide loans or advances to the CEO.

**k) Contracts and Severance**

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

The CEO's contract currently includes a non-compete clause which applies for a minimum of one year and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation under the non-compete clause is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) with respect to applicable local legal requirements if any and paid in monthly instalments.

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

**Proposal of Policy from 2019 AGM onwards applicable to a future CEO**

In order to comply with the recommendation of provision 3.2.3 of the Dutch Code relating to the maximum remuneration payable in the event of departure of an Executive Board Member and in line with market practices, the Board confirmed on 13 February 2019 a proposal from the RNGC that the amount of the indemnity to be paid to the CEO in case of contract termination should be reduced to one year's salary. Consequently, the CEO will be entitled to an indemnity equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any.

The other terms and conditions applicable to the payment of such indemnity, as per the remuneration policy currently in force, will remain unchanged. In particular such indemnity will not apply if the CEO's mandate is terminated for a specific cause, in case of dismissal, if he resigns or if the CEO has reached retirement age.

In addition, the Board confirmed on 13 February 2019 the recommendation of the RNGC to limit the non-compete compensation payable to the CEO in case of contract termination to a maximum of one year. The other terms and conditions applicable to the non-compete compensation, as per the remuneration policy currently in force, will remain unchanged. In particular, the compensation will remain equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any.

All other components of the remuneration policy will remain unchanged.

#### 4.2.1.2 Non-Executive Remuneration – Applicable to Non-Executive Members of the Board of Directors

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

##### Fees and Entitlements

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

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board's Committees; and
- an attendance fee for the attendance to Board meetings.

Each of these fees is a fixed amount. Non-Executive Members of the Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past Executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company's corporate governance.

The Company does not encourage Non-Executive Directors to purchase Company shares.

Under the current policy, and since 2016, the fees have been reviewed to recognise the increase in Board Members' responsibilities, their greater time commitment and Airbus' continuous need to attract and retain highly competent Directors. To incentivise Board attendance, the attendance fees have doubled. Members of the Board are entitled to the following fees:

##### Fixed fee for membership of the Board (€ / year):

- Chairman of the Board: €210,000
- Member of the Board: €80,000

##### Fixed fee for membership of a Committee (€ / year):

- Chairman of a Committee: €30,000
- Member of a Committee: €20,000

##### Attendance fees (€ / Board meeting):

- Chairman: €15,000
- Member: €10,000

Attendance fees shall decrease by 50% in case of an attendance by phone or a Board meeting held by phone.

Committee chairmanship and Committee membership fees are cumulative if the concerned Non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

##### Proposal of Policy from 1 January 2019 onwards applicable to Non-Executive Directors

In order to ensure continuous commitment of the Members of the Board and Airbus' ability to retain highly competent members, regular reviews of the Board remuneration policy are undertaken by the Company. Following the benchmark performed in 2015, a comprehensive review of the remuneration policy applicable to the Non-Executive Members of the Board was undertaken in 2018.

In September 2018, the independent consultant Willis Towers Watson completed a compensation benchmark for the Non-Executive Directors (incl. the Chairman of the Board) against an extensive peer group.

This analysis encompassed approximately 50 comparable companies in various indices from five countries (France, Germany, Netherlands, Spain and the UK) and other large companies from the aerospace and defence sector (including BAE Systems, Boeing, Dassault Aviation, Honeywell International Inc., Lockheed Martin Corp., Northrop Grumman Corp., Raytheon, Rolls Royce, Safran, Textron, Thales, United Technologies Corp). Financial institutions were excluded from the peer group.

From the analysis, it appeared that the total target remuneration for the non-Executive Board members (i) for membership of the Board of Directors (fixed and attendance fees) and (ii) for membership of a Committee (fixed fee) are positioned within the market spectrum of the Company's peer group.

The remuneration policy for membership of a Committee has been applicable since 2008 and only provides for a fixed fee calculated on the basis of four regular meetings per Committee per year.

However, since 2016, due to exceptional circumstances, the Committees' workload has significantly increased. The current remuneration policy does not take into account directors' attendance to a greater number of Committee meetings when the workload substantially intensifies. Further, the current remuneration policy does not take into account such temporary increased intensity in the workload.

Therefore, in order to allow for a temporary increase in the remuneration of the non-Executive Members of the Board of Directors for their membership of a Committee when the workload increases), the Board approved in October 2018 the recommendation of the RNGC to allocate the following attendance fees per Committee above four Committee meetings per year (whether these meetings are held physically or by phone):

- in case of physical attendance: €3,000 per additional meeting for Members based in Europe and €6,000 per additional meeting for Members based outside Europe;
- in case of attendance by phone (whether the meeting is held physically or by phone): €1,500 per additional meeting.

Such attendance fee will be identical for both the Chair and Members of a Committee.

As the fixed fees for membership of a Committee will remain unchanged (€30,000 for chair and €20,000 for member), the allocation of an attendance fee per Committee above a certain number of meetings per year will ensure automatic return to the current level of remuneration when exceptional circumstances end and workload decreases.

The contemplated total remuneration for membership of a Committee (based on the average number of additional Committee meetings effectively attended physically or by phone by the Company's directors in 2017 and 2018) will remain within the market spectrum of the Company's peer group (between the median and Q3, as per the findings of the above-mentioned benchmark).

Fixed fee for membership of the Board and attendance fees for attendance of Board meetings will remain unchanged.

Under the new policy, and in greater details, non-Executive Members of the Board would be entitled to the following fees for their membership of a Committee:

The proposal is to add an attendance fee per Committee meeting above four meetings per year (whether these meetings were held physically or by phone). The fixed fee would remain unchanged.

**Fixed fee for membership of a Committee (€ / year):**

- Chairman: 30,000
- Member of a Committee: 20,000

**Attendance fee for membership of a Committee** applicable to chair and members (€ / additional meeting above four meetings per Committee per year, whether these meetings were held physically or by phone):

- physical participation: 3,000 if the chair or member is based in Europe and double attendance fee amount, *i.e.* 6,000 if the chair or member is based outside Europe;
- participation by phone (whether the meeting is held physically or by phone): 1,500.

### 4.2.1.3 Proposed amendments to the Remuneration Policy

At the 2019 AGM, the Board of Directors is proposing that shareholders adopt the following amendments to the Airbus Remuneration Policy:

**Proposal of Policy from AGM 2019 onwards applicable to a future CEO:**

In order to comply with the Dutch Code and in line with market practices, the Board proposes, as described in details above, that the termination indemnity will be equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any, and that the non-compete clause will apply for a maximum of one year.

The other terms and conditions applicable to the termination indemnity and the non-compete compensation as per the remuneration policy currently in force will remain unchanged. In particular the termination indemnity will not apply if the CEO's mandate is terminated for a specific cause, in case of dismissal, if he resigns or if the CEO has reached retirement age and the non-compete compensation will remain equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid).

**Proposal of Policy from 1 January 2019 onwards applicable to non executive directors:**

In order to ensure continuous commitment of the Members of the Board and Airbus' ability to retain highly competent members, the Company regularly reviews Board remuneration policy.

As described in detail above, in order to increase the remuneration of Non-Executive Directors who are Members of a Committee when the workload of that Committee increases, the Company proposes to allocate an attendance fee per Committee if and when such Committee would have more than four Committee meetings per year (whether these meetings are held physically or by phone).

Such an attendance fee is identical for chair and membership but differs depending on whether attendance of the meeting is physical or by phone and, in case of physical attendance, where the Committee Members are based.

As the fixed fees for membership of a Committee remain unchanged, the proposed amendment will ensure the automatic return to the current level of remuneration when workload decreases.

While incentivising attendance to the meetings and recognising the key role of the Committees for the Board of Directors, the contemplated total target remuneration (fixed and proposed attendance fees) for membership of a Committee remains within the market spectrum of the Company's peer group, as per the findings of the above-mentioned benchmark.

The other components of the remuneration policy will remain unchanged.

### 4.2.1.4 Implementation of the Remuneration Policy: CEO

#### a) Benchmarking

Based on a review the RNGC performed in 2018 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was at the median level of the peer group as defined in Section 4.2.1.1 a).

#### b) Base Salary

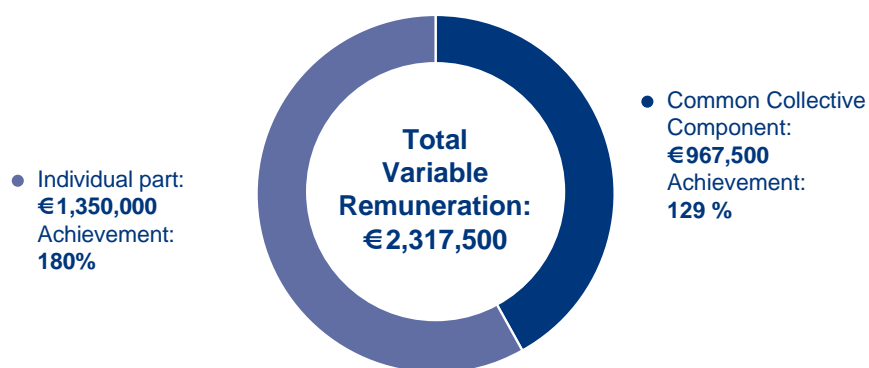
For 2018, the Base Salary of the current CEO remained at € 1,500,000. The CEO's Base Salary level was reviewed in 2015 and approved by shareholders at the 2016 AGM.

The Base Salary of the future CEO is € 1,350,000 on a full year basis. Any increase of the future CEO's Base Salary will also take into consideration salary increases of employees across the group.

#### c) Annual Variable Remuneration

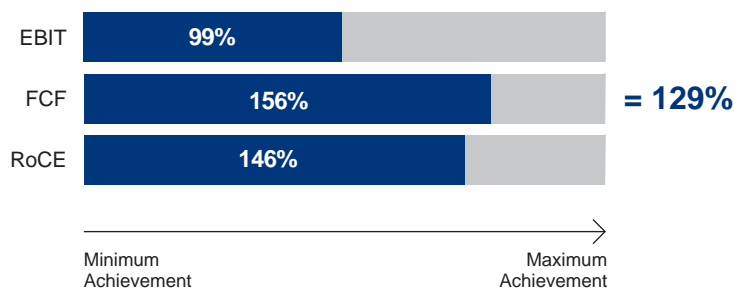
As stipulated in the Company's Remuneration Policy, the CEO's VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of collective and individual performance targets. This applies for both the current and the future CEO.

For 2018, the VR of the current CEO amounted to an aggregate € 2,317,500 composed of € 967,500 (129%) for the Common Collective Component and € 1,350,000 (180%) for the Individual Component.



At the end of the financial year 2018, the **Common Collective Component** results from a composite 129% achievement of EBIT (45%), Free Cash Flow (45%) and RoCE (10%) objectives.

#### PERFORMANCE ACHIEVEMENT – COMMON COLLECTIVE COMPONENT 2018



This achievement mainly reflects a solid **EBIT** and strong **Free Cash Flow** generation against the budgeted targets. The main drivers of that success were the strong operational performance and programme execution in all our businesses, in particular record deliveries in Airbus, healthy pre-delivery payments inflows, ongoing efforts to control working capital including payment terms to suppliers and sound CapEx spending.

Finally, **RoCE** was below the target.

**Normalisations** were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

The **Individual part** results from an excellent achievement level of 180% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO's performance and behaviour, mostly with respect to the four Airbus priorities agreed at the start of the year. For each of these outcomes, leadership, personal performance and contributions were examined.

The factors determining the assessment in 2018 were among other achievements:

- solid financial figures achieving the envisaged targets;
- record delivery achievements despite industrial challenges especially on A320. Largest number of deliveries in Airbus history, +11% vs. 2017;
- good progress in industrial milestones of key development programmes including first deliveries of Airbus A350-1000 and ULR;
- remarkable successful closing of the acquisition of Bombardier C Series programme (A220 family) complementing the Airbus product portfolio and integration into Airbus organisation as C-SALP;
- strong sales performance in Airbus Helicopters with book-to-bill above 1 and satisfactory delivery performance with 357 units within a high competitive market;

#### d) Long-Term Incentive Plan

##### Granting 2018 and 2019

Due to the announcement of his departure, the current CEO has been granted neither Performance Units nor Performance Shares for 2018 and 2019.

In 2019, the future CEO will be granted LTIPs in accordance with the applicable policy.

##### Vesting Values in 2018 for the current CEO

In 2018, the CEO received both cash payments and vested shares in connection with the vesting of 2013 and 2014 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to €1,364,541 in 2018 versus €1,372,048 in 2017.
- **Shares:**
  - in connection with the 2013 LTIP award, the CEO had elected that 50% of his grant should be deferred into shares. Therefore, the CEO received 11,360 vested shares (11,192 vested shares in 2017) on the fourth vesting date for LTIP 2013 (5 November 2018);
  - in connection with the 2014 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 2,950 Performance Units for the LTIP 2014 will be released in the form of shares on the second vesting date for the 2014 LTIP (which will take place in 2019).

- solid result in Airbus Defence and Space, stabilisation of the A400M programme with good progress on capability development, retrofit campaign and solid contractual rebaselining. Record number of military aircraft deliveries and satellite launches. Notable progress on future programmes with key decisions on political level for UAS and FCAS;
- strong key advancement in the Company's further integration through successful closure of the "Gemini" project by merging Airbus and Airbus Group for a leaner and more efficient management, helping to prepare the future of the Company;
- excellent progress on digital roadmap for product and services offerings with Skywise and internal processes with DDMS;
- strong progress on innovation and R&T activities, growth in activities of Airbus ventures, establishing of innovation centres with opening of Shenzhen innovation centre. Strongly evolved Airbus role on UAM, exploration of new business models and smart partnering for future trends;
- strong and very successful steering of management transition with selection, on-boarding and up-skilling of new C-level leaders. Including the new CEO;
- strong and solid emphasis of ethics & compliance and responsibility & sustainability as key pillars for future developments. High momentum on values journey ensured CEO and leadership team consistently demonstrate values and behaviours and that E&C and R&S are interconnected drivers of culture change;
- reinforced efforts on diversity in all its forms.

Due to the current CEO's departure in 2019, the VR for 2019 amounts to an aggregate €416,096 composed of €208,048 for the Common Collective Component (100%) and €208,048 for the Individual Component (100%).



## LTIP Overview: Granting and Vesting

Date of grants	Grant Type	Number	Share price at grant date	Value at grant date	(Un) conditional	Performance achievement	Units with performance achievement	Dates of vesting	Share value at vesting dates*
2013	Units	30,300	€46.17	€1,398,951	Conditional	75%	22,724	4 vestings in 2017-2018	1 <sup>st</sup> vesting – 3 May 2017: €72.12  2 <sup>nd</sup> vesting – 3 November 2017: €81.92  3 <sup>rd</sup> vesting – 3 May 2018: €92.34  4 <sup>th</sup> vesting – 5 November 2018: €92.34
2014	Units	29,500	€47.45	€1,399,775	Conditional	80%	23,600	2 vestings in 2018-2019	1 <sup>st</sup> vesting – 3 May 2018: €94.40
2015	Units	24,862	€56.31	€1,399,979	Conditional	75%	18,648	2 vestings in 2019-2020	Not yet known
2016	Units	14,240	€52.67	€750,021	Conditional	Not yet known	Not yet known	2 vestings in 2020-2021	Not yet known
2016	Shares	14,240	€52.67	€750,021	Conditional	Not yet known	Not yet known	1 vesting in 2020	Not yet known
2017	Units	10,162	€73.81	€750,057	Conditional	Not yet known	Not yet known	2 vestings in 2021-2022	Not yet known
2017	Shares	10,162	€73.81	€750,057	Conditional	Not yet known	Not yet known	1 vesting in 2021	Not yet known

Calculations may involve rounding to the nearest unit.

\* LTIP 2013 and 2014 cap was applied to the share price.

Vesting will occur according to the respective rules and regulations of each plan. There will be no accelerated vesting due to the current CEO's departure in 2019.

## Performance Conditions of LTIP 2015

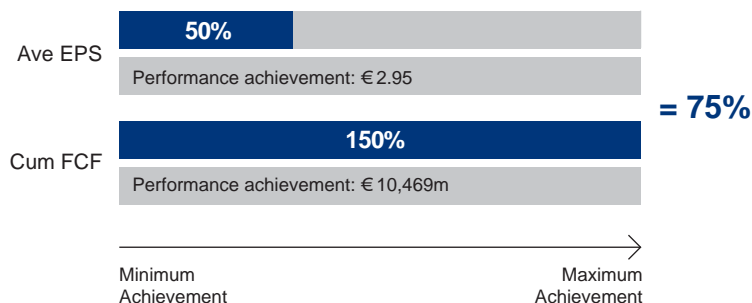
The performance conditions for LTIP 2015 were determined as follows:

- if Airbus reports negative cumulated EBIT results, the Board of Directors can decide 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 2016, 2017 and 2018 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €4.02,
  - and 25% of cumulative FCF (“Cum FCF”): determined on a linear basis depending on three-year Cum FCF for the 2016, 2017 and 2018 fiscal years, with the three year Cum FCF target for an allocation of 100% equal to €8,281m.

## Review of Achievement of Performance Conditions

The Board of Directors on 13 February 2019 noted the achievement of the performance conditions of the 2015 plan, *i.e.* for the 2016, 2017 and 2018 fiscal years. The three year **Ave EPS** was €2.95 and the three-year Cum FCF was €10,469m, after normalisation to align them with policies in force when setting the target (notably IFRS 15 and A220 impacts).

## LTIP 2015 PERFORMANCE ACHIEVEMENT



Date of grants	KPI	Number of units	Target for a 100% allocation	Achieved	Performance achievement in percentage	Compounded performance achievement in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grant
2013	Ave EPS	30,300	€3.64	€2.28	50%	75%	22,724	€ 1.15*
	Cum FCF before M&A		€2,650m	€3,440m	150%			
2014	Ave EPS	29,500	€3.31	€2.81	56%	80%	23,600	€ 1.51**
	Cum FCF		€4,298m	€9,741m	150%			
2015	Ave EPS	24,862	€4.02	€2.95	50%	75%	18,646	€ 2.10***
	Cum FCF		€8,281m	€10,469m	150%			

\* Average EPS of 2012, 2011 and 2010.

\*\* Average EPS of 2013, 2012 and 2011.

\*\*\* Average EPS of 2014, 2013 and 2012.

### e) Share Ownership

The CEO owned 76,521 Company shares on 31 December 2018, which represents more than 200% of the base salary. He herewith respects Airbus' share ownership policy.

Please refer to the AFM website [www.afm.nl](http://www.afm.nl) for any further information related to the transactions of the CEO.

### f) Employee Share Ownership Plan (ESOP)

In March 2018, the Company offered all eligible employees the opportunity to subscribe to a share matching plan, through which the Company matches a certain number of directly acquired shares with a grant of matching shares. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 2018, a dedicated UK tax advantageous Share Incentive Plan ("SIP"), was also deployed in March 2018.

Although the CEO was eligible for the plan, he did not participate to the ESOP 2018 plan favouring the development of a shareholding among other employees of the Company.

### g) Benefits

As stipulated in the Company's Remuneration Policy the CEO's benefits comprise a company car and accident insurance. The monetary value of these benefits for 2018 amounted to €61,144.

### h) Retirement

The defined benefit obligation for the current CEO's pension results from the Company's pension policy as described above and takes into account: (i) the seniority of the CEO in the Company and on its Executive Committee and (ii) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system. There has been no change in the pension promise for the CEO in 2018.

The present value of the CEO's pension obligation including deferred compensation is estimated annually by an independent actuarial firm according to the international accounting standard IAS19 as applied by the group for post-employment benefits. As of 31 December 2018, the defined benefit obligation amounts to €26,303,940 vs. €21,176,042 at the end of 2017. The change

in valuation is due to changes in actuarial assumptions (e.g., mortality table, expected pension increase, retirement age).

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

### i) Clawback

The Board has not applied any clawback in 2018.

### j) Pay ratio

The Dutch Corporate Governance Code recommends that the Company provides a ratio comparing the compensation of the CEO and that of a "representative reference group" determined by the Company.

The Airbus pay ratio is calculated by comparing the cash compensation of the CEO with a median full-time permanent employee from France, Germany, UK and Spain for Airbus, excluding subsidiaries.

The aggregate cash compensation over the 2018 fiscal year was used as a reference amount (*i.e.* excluding the value of equity incentive awards and other non-cash compensation components). To calculate the ratio, the gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums was taken in to account.

The full time equivalent headcount of this target European population was taken into account.

Based on this methodology, the ratio between the cash compensation of the CEO and the median full-time equivalent permanent employee for the fiscal year to which this report relates is 51 (rounded to the nearest integer). Airbus did not analyse the ratios in comparison with the previous financial year, because in 2017 ratios have not been calculated.

### k) Contract and severance

With regards to his planned departure and according to the policy, the current CEO is not entitled to any termination indemnity.

The CEO's contract includes a non-compete clause, which will apply for one year. It will be paid in monthly instalments of €266,854.

Past LTIP awards are maintained. There will be no accelerated vesting.

#### 4.2.1.6 Implementation of the Remuneration Policy in 2018: Non-Executive Directors

The last review of the Board remuneration was undertaken in 2015. The Board remuneration is in line with market practice, incentivises attendance and recognises the strategic role played by the Board of Directors in Airbus' developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

For personal reasons, and with regards to the implementation of remuneration policy approved at the AGM 2016, Denis Ranque decided in 2016 and onwards to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds €240,000 (his total target remuneration for 2015, based on six meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account the increased number of Board meetings in 2018, the remuneration of Denis Ranque for 2018 as Chairman of the Board of Directors (Board chairmanship fixum and attendance fees) is €255,000.

Therefore, the Board recommended that the remuneration exceeding €255,000 would be converted into an annual contribution to the Airbus Foundation as long as Denis Ranque waived this part of his remuneration which corresponds to €67,500 based on the number of Board meetings in 2018.

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

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

(1) The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the Remuneration, Nomination and Governance Committee ("RNGC") and/or the Ethics & Compliance Committee ("E&C"). The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017.

(2) The attendance fees related to the first semester 2018 were paid in July 2018, those related to the second semester 2018 were paid in January 2019. The attendance fees related to the first semester 2017 were paid in July 2017, those related to the second semester 2017 were paid in January 2018.

(3) Member of the E&C Committee as of 11 April 2018.

(4) Not a Member of the Company Board of Directors as of 11 April 2018.

(5) Member of the Company Board of Directors and the AC as of 11 April 2018.

(6) Member of the Company Board of Directors and the RNGC as of 11 April 2018.

## 4.2.2 Long-Term Incentives Granted to the Chief Executive Officer

See "— 4.3.3 Long-Term Incentive Plans".

### 4.2.3 Related Party Transactions

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Reflecting Article 2:129(6) of the Dutch Civil Code, Article 18.5 of the Articles of Association provides that *“a Director shall not take part in the deliberations or decision-making if he has a direct or indirect personal interest which conflicts with the interests of the Company and of the enterprise connected with it. If as a result thereof no resolution of the Board of Directors can be adopted, the resolution is adopted by the General Meeting”*.

During the years 2016, 2017 and 2018, no agreement was entered into by the Company with one of its Directors or principal officers or a shareholder holding more than 5% of the voting rights of the Company outside the ordinary course of business and in conditions other than arm’s length conditions. For more information, please refer to the “— Notes to the IFRS Consolidated

Financial Statements — Note 8: Related party transactions” for the year ended 31 December 2018 and “— Notes to the IFRS Consolidated Financial Statements — Note 8: Related party transactions” for the year ended 31 December 2017, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see “— General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders”. Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

## 4.3 Employee Profit Sharing and Incentive Plans

4

### 4.3.1 Employee Profit Sharing and Incentive Agreements

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The Company’s remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Company. In 2012, a Performance and Restricted Unit plan was established for the senior management of Airbus (see “— 4.3.3 Long-Term Incentive Plans”), and employees were offered shares at favourable conditions within the context of a new Employee Share Ownership Plan (see “— 4.3.2 Employee Share Ownership Plans”).

The success sharing schemes which are implemented at the Company in France, Germany, Spain and the UK follow one set of common rules of the group, ensuring a consistent application in these four countries.

### 4.3.2 Employee Share Ownership Plans

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

According to shareholders’ resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors at the 2018 AGM. Such powers include the approval of ESOP.

The following table summarises the main terms of the ESOPs conducted over the last three years:

Year	Price per share	Nominal value per share	Number of shares issued	Date of issuance
2013	€42.02 <sup>(1)</sup> / €44.20 <sup>(2)</sup>	€1	2,113,245	29 July 2013
2014	<sup>(3)</sup>			
2015	€49.70 <sup>(1)</sup> / €51.63 <sup>(2)</sup> / €65.59 <sup>(4)</sup>	€1 €1	1,436,901 102,113	21 April 2015 November 2015
2016	€54.31 <sup>(1)</sup> / €55.41 <sup>(2)</sup> € / 55.53 <sup>(5)</sup>	€1	1,366,893 107,823	14 April 2016 18 November 2016
2017	€64.44 <sup>(1)</sup> / €67.24 <sup>(2)</sup> / €85.20 <sup>(6)</sup>	€1 €1	1,554,611 88,582	3 May 2017 21 November 2017
2018	€88.65 <sup>(1)</sup> / €84.17 <sup>(2)</sup> / €92.57 <sup>(7)</sup>	€1 €1	1,739,390 72,429	3 May 2018 20 November 2018

(1) Shares purchased within context of group employee savings plan.

(2) Shares purchased directly.

(3) July 2014 the Board of Directors decided to cancel the ESOP scheme for 2014 due to volatility of the share price and the financial situation.

(4) Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

(5) Under the umbrella of the ESOP 2016, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

(6) Under the umbrella of the ESOP 2017, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

(7) Under the umbrella of the ESOP 2018, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

In 2018 and 2017, the Board of Directors approved a new ESOP scheme. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (2018: 5, 15, 30, 50 or 100 shares; 2017: 5, 20, 30, 50 or 100 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (2018: 4, 7, 10, 13 and 25 free shares, respectively 2017: 4, 8, 10, 13 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the 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 14 February 2018 (2017: 21 February 2017) and amounted

to €84.17 (2017: €67.24). Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 14 February 2018 (2017: 21 February 2017), resulting in a price of €88.65 (2017: €64.44). The Company issued and sold 446,059 ordinary shares (2017: 411,710) with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €38 million (2017: €28 million) was recognised in connection with ESOP. The Company intends to implement an ESOP in 2019, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). With future ESOP, the Company intends to offer shares to eligible employees through the issuance of shares or free distribution of shares or other existing or new securities giving access to the capital as a matching contribution. This plan would aim at favouring the development of employee shareholding.

### 4.3.3 Long-Term Incentive Plans

In 2012, 2013, 2014, 2015, and 2016, based on the authorisation granted to it by the shareholders' meetings (see dates below), the Board of Directors approved the granting of LTIP Performance Units and Restricted Units in the Company. The grant of so-called "units" will not physically be settled in shares but represents a cash-settled plan in accordance with IFRS 2. Since 2017, the Board of Directors approved an LTIP Performance Units and Performance Share Plan.

The principal characteristics of these options as well as Performance and Restricted Units as of 31 December 2018 are set out in the "Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment". They are also summarised in the tables below:

<b>Fifteenth tranche</b>		
Date of Board of Directors meeting (grant date)	13 November 2013	
	<b>Performance and Restricted Unit plan</b>	
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	1,245,052	359,060
Number of units outstanding	0	0
Units granted to:		
- Mr. Thomas Enders*	30,300	-
- the 10 employees having being granted the highest number of units during the year 2013 (fifteenth tranche)	173,100	-
Total number of eligible beneficiaries		1,709
	<p>The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance.</p> <p>Vesting schedule is made up of 4 payments over 2 years:</p> <ul style="list-style-type: none"> <li>- 25% expected in May 2017;</li> <li>- 25% expected in November 2017;</li> <li>- 25% expected in May 2018;</li> <li>- 25% expected in November 2018.</li> </ul>	
Vesting dates		
Number of vested units	855,686	333,415

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration".



<b>Sixteenth tranche</b>		
Date of Board of Directors meeting (grant date)	13 November 2014	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	1,114,962	291,420
Number of units outstanding	424,260	134,198
Units granted to:		
- Mr. Thomas Enders*	29,500	-
- the 10 employees having being granted the highest number of units during the year 2014 (sixteenth tranche)	176,460	-
Total number of eligible beneficiaries		1,621
Vesting dates	The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: - 50% expected in June 2018; - 50% expected in June 2019.	
Number of vested units	399,540	138,527

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".

<b>Seventeenth tranche</b>		
Date of Board of Directors meeting (grant date)	29 October 2015	
<b>Performance and Restricted Unit plan</b>		
	<b>Performance Units</b>	<b>Restricted Units</b>
Number of units granted <sup>(1)</sup>	926,398	240,972
Number of units outstanding	656,406	231,396
Units granted to:		
- Mr. Thomas Enders*	24,862	-
- the 10 employees having being granted the highest number of units during the year 2015 (seventeenth tranche)	156,446	-
Total number of eligible beneficiaries		1,564
Vesting dates	The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years: - 50% expected in June 2019; - 50% expected in June 2020.	
Number of vested units	2,606	-

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".

**Eighteenth tranche**

Date of Board of Directors meeting (grant date) 25 October 2016

	Performance Units and Performance Shares plan	
	Performance Units	Performance Shares
Number of units/shares granted <sup>(1)</sup>	592,391	594,561
Number of units/shares outstanding	605,789	611,225
Units/shares granted to:		
- Mr. Thomas Enders*	14,240	14,240
- the 10 employees having being granted the highest number of units/shares during the year 2016 (eighteenth tranche)	79,504	85,200
Total number of eligible beneficiaries		1,671

The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance.

Vesting schedule is made up of 2 payments over 2 years:

- Performance Units:
- 50% expected in May 2020;
- 50% expected in May 2021;
- Performance Shares: 100% expected in May 2020

Vesting dates

Number of vested units -

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".

**Nineteenth tranche**

Date of Board of Directors meeting (grant date) 30 October 2017

	Performance Units and Performance Shares plan	
	Performance Units	Performance Shares
Number of units/shares granted <sup>(1)</sup>	421,638	425,702
Number of units/shares outstanding	411,841	415,905
Units/shares granted to:		
- Mr. Thomas Enders*	10,162	10,162
- the 10 employees having being granted the highest number of units/shares during the year 2017 (eighteenth tranche)	53,808	57,872
Total number of eligible beneficiaries		1,601

The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance.

Vesting schedule is made up of 2 payments over 2 years:

- Performance Units:
- 50% expected in May 2021;
- 50% expected in May 2022;
- Performance Shares: 100% expected in May 2021

Vesting dates

Number of vested units -

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".



<b>Twentieth tranche</b>		
Date of Board of Directors meeting (grant date)	30 October 2018	
<b>Performance Units and Performance Shares plan</b>		
	<b>Performance Units</b>	<b>Performance Shares</b>
Number of units/shares granted <sup>(1)</sup>	278,376	281,181
Number of units/shares outstanding	278,376	281,181
Units/shares granted to:		
- Mr. Thomas Enders*	0	0
- the 10 employees having being granted the highest number of units/shares during the year 2018 (eighteenth tranche)	23,578	26,383
Total number of eligible beneficiaries		1,626
<p>The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:</p> <ul style="list-style-type: none"> <li>- Performance Units:</li> <li>- 50% expected in May 2022;</li> <li>- 50% expected in May 2023;</li> <li>- Performance Shares: 100% expected in May 2022</li> </ul>		
Vesting dates		
Number of vested units	-	-

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT\* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

\* For more information in respect of units granted to the Chief Executive Officer, please refer to the "Notes to the IFRS Consolidated Financial Statements – Note 31: Remuneration".

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in "Notes to the IFRS Consolidated Financial Statements – Note 30: Share-based payment".

#### SHAREHOLDING IN THE COMPANY OF THE MEMBERS OF THE BOARD OF DIRECTORS AT THE END OF 2018

Member of the Board of Directors	Shareholding
- Mr. Thomas Enders	76,521 ordinary shares
- Mr. Denis Ranque	2,000 ordinary shares
- Ms. Catherine Guillaud	185 ordinary shares
- Mr. Ralph Dozier Crosby, Jr.	12 ordinary shares

No other Member of the Board of Directors holds shares or other securities in the Company.



# 5

# 5

## Entity Responsible for the Information Document

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## 5.1 Entity Responsible for the Information Document

Airbus SE

## 5.2 Statement of the Entity Responsible for the Information Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the document is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Airbus SE represented by:

Thomas Enders  
*Chief Executive Officer*

## 5.3 Information Policy

– Contact details for information:

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E-mail: [ir@airbus.com](mailto:ir@airbus.com)

– Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An international number is also available for the rest of the world (+33 800 01 2001)

– An e-mail box is dedicated to shareholders' messages:  
[ir@airbus.com](mailto:ir@airbus.com)

A website, [www.airbus.com](http://www.airbus.com), provides a wide range of information on the Company, including the Board of Directors' report.

## 5.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris, on the *regulierter Markt* (in the sub-segment Prime Standard) of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges, the Company is subject to certain laws and regulations applicable

in France, Germany and Spain in relation to information, the main ones of which are summarised in "General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures".



## 5.5 Significant Changes

As of the date of the 2018 Financial Statements, there has been no significant change in the Company's financial or trading position since 31 December 2018.

