

Unaudited Condensed IFRS Consolidated Financial Information of Airbus SE for the year ended 31 December 2017

Unaudited Condensed IFRS Consolidated Financial Information of Airbus SE for the year ended 31 December 2017	1
Unaudited Condensed IFRS Consolidated Income Statements	2
Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income	3
Unaudited Condensed IFRS Consolidated Statements of Financial Position	4
Unaudited Condensed IFRS Consolidated Statements of Cash Flows	6
Unaudited Condensed IFRS Consolidated Statements of Changes in Equity	8
Notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2017	9
1. The Company	9
2. Accounting policies	9
3. Acquisitions and disposals	11
4. Segment information	13
5. Revenues and gross margin	14
6. Research and development expenses	14
7. Share of profit from investments accounted for under the equity method and other income from investments ..	15
8. Other income and other expenses	15
9. Total finance costs	15
10. Income tax	15
11. Earnings per share	15
12. Intangible assets and property, plant and equipment	16
13. Investments accounted for under the equity method	16
14. Other investments and other long-term financial assets	16
15. Inventories	16
16. Trade receivables and trade liabilities	17
17. Provisions	17
18. Other financial assets and other financial liabilities	17
19. Other assets and other liabilities	18
20. Total equity	19
21. Net cash	19
22. Litigation and claims	21
23. Number of employees	24
24. Events after the reporting date	24

Airbus SE
Unaudited Condensed IFRS Consolidated Financial Information
for the year ended 31 December 2017

Unaudited Condensed IFRS Consolidated Income Statements

<i>(In € million)</i>	Note	2017	2016
Revenues	5	66,767	66,581
Cost of sales		(59,160)	(61,317)
Gross margin	5	7,607	5,264
Selling expenses		(872)	(997)
Administrative expenses		(1,567)	(1,726)
Research and development expenses	6	(2,807)	(2,970)
Other income	8	981	2,689
Other expenses	8	(336)	(254)
Share of profit from investments accounted for under the equity method	7	333	231
Other income from investments	7	82	21
Profit before finance costs and income taxes		3,421	2,258
Interest income		189	247
Interest expense		(517)	(522)
Other financial result		1,477	(692)
Total finance costs	9	1,149	(967)
Income taxes	10	(1,693)	(291)
Profit for the period		2,877	1,000
Attributable to:			
Equity owners of the parent (Net income)		2,873	995
Non-controlling interests		4	5
Earnings per share		€	€
Basic	11	3.71	1.29
Diluted	11	3.70	1.29

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

Unaudited Condensed IFRS Consolidated Statements of Comprehensive Income

<i>(In € million)</i>	2017	2016
Profit for the period	2,877	1,000
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of the defined benefit pension plans	116	(1,649)
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method	61	(102)
Income tax relating to items that will not be reclassified	(26)	365
<i>Items that may be reclassified to profit or loss:</i>		
Foreign currency translation differences for foreign operations	(526)	(174)
Change in fair value of cash flow hedges	10,636	(247)
Change in fair value of available-for-sale financial assets	396	(53)
Share of changes in other comprehensive income from investments accounted for under the equity method	(3)	(35)
Income tax relating to items that may be reclassified	(2,881)	(7)
Other comprehensive income, net of tax	7,773	(1,902)
Total comprehensive income of the period	10,650	(902)
<i>Attributable to:</i>		
Equity owners of the parent	10,611	(917)
Non-controlling interests	39	15

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

Unaudited Condensed IFRS Consolidated Statements of Financial Position

<i>(In € million)</i>	Note	2017	2016
Assets			
Non-current assets			
Intangible assets	12	11,629	12,068
Property, plant and equipment	12	16,610	16,913
Investment property		3	5
Investments accounted for under the equity method	13	1,678	1,608
Other investments and other long-term financial assets	14	4,204	3,655
Non-current other financial assets	18	2,980	976
Non-current other assets	19	2,295	2,358
Deferred tax assets		3,598	7,557
Non-current securities	21	10,944	9,897
		53,941	55,037
Current assets			
Inventories	15	31,464	29,688
Trade receivables	16	8,358	8,101
Current portion of other long-term financial assets	14	529	522
Current other financial assets	18	1,979	1,257
Current other assets	19	2,907	2,576
Current tax assets		914	1,110
Current securities	21	1,627	1,551
Cash and cash equivalents	21	12,016	10,143
		59,794	54,948
Assets and disposal group of assets classified as held for sale	3	202	1,148
Total assets		113,937	111,133

Airbus SE
Unaudited Condensed IFRS Consolidated Financial Information
for the year ended 31 December 2017

<i>(In € million)</i>	Note	2017	2016
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		775	773
Share premium		2,826	2,745
Retained earnings		7,007	4,987
Accumulated other comprehensive income		2,742	(4,845)
Treasury shares		(2)	(3)
		13,348	3,657
Non-controlling interests		3	(5)
Total equity ⁽¹⁾	20	13,351	3,652
Liabilities			
Non-current liabilities			
Non-current provisions	17	10,153	10,826
Long-term financing liabilities	21	8,984	8,791
Non-current other financial liabilities	18	6,948	13,313
Non-current other liabilities	29	17,190	16,279
Deferred tax liabilities		981	1,292
Non-current deferred income		199	288
		44,455	50,789
Current liabilities			
Current provisions	17	6,575	6,143
Short-term financing liabilities	21	2,212	1,687
Trade liabilities	16	13,444	12,532
Current other financial liabilities	18	2,185	5,761
Current other liabilities	19	29,193	27,535
Current tax liabilities		1,481	1,126
Current deferred income		935	917
		56,025	55,701
Disposal group of liabilities classified as held for sale	3	106	991
Total liabilities		100,586	107,481
Total equity and liabilities		113,937	111,133

(1) As of 31 December 2017, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to € 65 million.

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

Unaudited Condensed IFRS Consolidated Statements of Cash Flows

<i>(In € million)</i>	Note	2017	2016
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income)		2,873	995
Profit for the period attributable to non-controlling interests		4	5
<i>Adjustments to reconcile profit for the period to cash provided by operating activities:</i>			
Interest income		(189)	(247)
Interest expense		517	522
Interest received		149	139
Interest paid		(501)	(378)
Income tax expense		1,693	291
Income tax paid		(152)	(559)
Depreciation and amortization		2,298	2,294
Valuation adjustments		(1,755)	1,132
Results on disposals of non-current assets		(773)	(1,870)
Results of investments accounted for under the equity method		(333)	(231)
Change in current and non-current provisions		805	1,321
Contribution to plan assets		(458)	(290)
Change in other operating assets and liabilities: ⁽¹⁾		266	1,245
-Inventories		(2,572)	(3,477)
-Trade receivables		621	(1,215)
-Trade liabilities		1,419	2,398
-Advance payments received		1,268	4,628
-Other assets and liabilities and others		(470)	(1,089)
Cash provided by operating activities ⁽¹⁾⁽²⁾		4,444	4,369
Investing activities:			
-Purchases of intangible assets, property, plant and equipment, investment property		(2,558)	(3,060)
-Proceeds from disposals of intangible assets, property, plant and equipment, investment property		177	72
-Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	3	(23)	(120)
-Proceeds from disposals of subsidiaries (net of cash)	3	377	731
-Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(913)	(691)
-Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		532	182
-Dividends paid by companies valued at equity		218	192
-Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	3	893	1,527
-Payments for investments in securities		(3,767)	(2,280)
-Proceeds from disposals of securities		2,534	2,617
Cash (used for) investing activities		(2,530)	(830)
Financing activities:			
Increase in financing liabilities	21	1,703	3,297
Repayment of financing liabilities	21	(419)	(1,725)
Cash distribution to Airbus SE shareholders	20	(1,043)	(1,008)
Dividends paid to non-controlling interests	20	(3)	(4)
Changes in capital and non-controlling interests	20	83	60
Share buyback	20	0	(736)

Airbus SE
Unaudited Condensed IFRS Consolidated Financial Information
for the year ended 31 December 2017

<i>(In € million)</i>	Note	2017	2016
Cash provided by (used for) financing activities		321	(116)
Effect of foreign exchange rate changes on cash and cash equivalents		(374)	60
Net increase in cash and cash equivalents ⁽¹⁾		1,861	3,483
Cash and cash equivalents at beginning of period ⁽¹⁾		10,160	6,677
Cash and cash equivalents at end of period ⁽¹⁾	21	12,021	10,160
<i>thereof presented as cash and cash equivalents ⁽¹⁾</i>	21	12,016	10,143
<i>thereof presented as part of disposal groups classified as held for sale</i>	3	5	17

(1) Customer financing flows previously disclosed in separate line items on the face of the cash flow statement are now included within the cash flows from "other assets/ liabilities and others".

(2) The 2017, cash provided by operating activities has been positively impacted by certain agreements reached with Airbus' suppliers and customers relating to the settlement of claims and negotiation on payment terms.

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

Unaudited Condensed IFRS Consolidated Statements of Changes in Equity

<i>(In € million)</i>	Equity attributable to equity holders of the parent									
	Accumulated other comprehensive income									
	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	785	3,484	6,316	835	(6,864)	1,713	(303)	5,966	7	5,973
Profit for the period	0	0	995	0	0	0	0	995	5	1,000
Other comprehensive income	0	0	(1,383)	(65)	(289)	(175)	0	(1,912)	10	(1,902)
Total comprehensive income of the period	0	0	(388)	(65)	(289)	(175)	0	(917)	15	(902)
Capital increase	2	58	0	0	0	0	0	60	0	60
Share-based payment (IFRS 2)	0	0	31	0	0	0	0	31	0	31
Cash distribution to Airbus SE shareholders / dividends paid to non-controlling interests	0	0	(1,008)	0	0	0	0	(1,008)	(4)	(1,012)
Equity transaction (IAS 27)	0	0	38	0	0	0	0	38	(23)	15
Change in treasury shares	0	0	(2)	0	0	0	(511)	(513)	0	(513)
Cancellation of treasury shares	(14)	(797)	0	0	0	0	811	0	0	0
Balance at 31 December 2016	773	2,745	4,987	770	(7,153)	1,538	(3)	3,657	(5)	3,652
Profit for the period	0	0	2,873	0	0	0	0	2,873	4	2,877
Other comprehensive income	0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income of the period	0	0	3,024	369	7,757	(539)	0	10,611	39	10,650
Capital increase	2	81	0	0	0	0	0	83	0	83
Capital decrease	0	0	0	0	0	0	0	0	0	0
Share-based payment (IFRS 2)	0	0	36	0	0	0	0	36	0	36
Cash distribution to Airbus SE shareholders / dividends paid to non-controlling interests	0	0	(1,043)	0	0	0	0	(1,043)	(3)	(1,046)
Equity transaction (IAS 27)	0	0	3	0	0	0	0	3	(28)	(24)
Change in non-controlling interests	0	0	0	0	0	0	0	0	0	0
Change in treasury shares	0	0	0	0	0	0	1	1	0	1
Cancellation of treasury shares	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2017	775	2,826	7,007	1,139	604	999	(2)	13,348	3	13,351

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

Notes to the Unaudited Condensed IFRS Consolidated Financial Statements as at 31 December 2017

1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE**, the “Company”, and its subsidiaries, a European public limited-liability company (Societas Europaea) with its seat (statutaire zetel) in Amsterdam, The Netherlands its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries is referred to as “Airbus” and no longer the “Group”, and the segment formerly known as Airbus is referred to as “Airbus Commercial Aircraft”. In this new set-up, Airbus retains Airbus Defence and Space and Airbus Helicopters as Divisions. In 2017, Airbus continued to report under the existing reportable segments. The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Unaudited Condensed IFRS Consolidated Financial Statements were authorised for issue by the Company’s Board of Directors on 14 February 2018.

2. Accounting policies

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) as at 31 December 2017 and Part 9 of Book 2 of the Netherlands Civil Code. They are prepared and reported in euro (“€”) and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Use of estimates and judgment

In preparing Airbus’ Unaudited Condensed Consolidated Financial Statements, Airbus’ management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in Airbus’ Consolidated Financial Statements as of 31 December 2016. Changes in the underlying circumstances in light of new information are described in the notes of the Unaudited Condensed Consolidated Financial Statements.

IFRS 15 “Revenue from contracts with customers”

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations.

Airbus will adopt the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the comparative 2017 results included in the 2018 financial statements will be restated, and equity will be adjusted as of 1 January 2017. Airbus will elect practical expedients for completed contracts and contract modifications.

Airbus is completing the restatement of its comparative financial statements.

Airbus has estimated the impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard is summarised below.

As of 1 January 2017:

<i>(In € billion)</i>	As reported at 31 December 2016	Estimated adjustments due to the adoption of IFRS 15	Estimated adjusted opening balance at 1 January 2017
Equity	3.7	(2.1)	1.6

The actual impacts may differ from the estimates above when adopting the standard as of 1 January 2018. The practical implementation on the Airbus' accounting policies relating to IFRS 15 are subject to change until Airbus presents its first financial statements that include the date of initial application.

IFRS 15 will not impact the overall profitability over the lifetime of contracts and the cash flows. As such IFRS 15 quantitative impacts on equity are phasing differences.

Revenue from construction contracts

Airbus has compared its current accounting policies and practices to the requirements of the new standard. As a result of this analysis, Airbus expects that the adoption of IFRS 15 will have a significant impact on the timing of revenue recognition on certain long-term construction contracts that are currently accounted for under IAS 11. The most significant changes will result from the following:

- Several performance obligations will be identified instead of recognising a single contract margin under IAS11 (e.g. A400M, NH90 contracts). In some cases, the over-time (e.g. PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, on A350 launch contracts, on A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft will hence be recognised at a point of time (e.g. upon delivery of the aircraft to the customer).
- Under IFRS 15, measurement of the revenue will take into account variable consideration constraints in order to achieve high likelihood that a significant reversal of the recognised revenue will not occur in the future. The constraint in assessing revenue at completion for some contracts will generate a decrease in recognised revenue.
- Under IFRS15, for the application of the overtime method (PoC method), the measure of the progress towards complete satisfaction of a performance obligations will be based on inputs (i.e. cost incurred) rather than on outputs (i.e. milestones achieved). At Airbus current long-term construction contracts progress is usually measured based on milestones achieved (e.g. Tiger programme, satellites, orbital infrastructures). Under IFRS 15, Airbus will measure progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

Revenue from the sale of commercial aircraft

With respect to the commercial aircraft business, other than sales made under the A350 launch contracts described above, IFRS 15 will not change the timing of recognising revenue, which will continue to be recognised when the customer takes delivery of the aircraft.

IFRS 15 will impact the presentation of the revenue. Under IAS 18, Airbus recognizes revenues based on the amount of its contracts with its customer, unless it has confirmation of the amount of the price concession. In contrast, IFRS 15 requires Airbus to estimate the amount of price concession in all cases and to treat the price concession as a reduction of revenue and cost of sales. Under IFRS 15, revenue and cost of sales will be decreased by the amount of the estimated concession granted by Airbus engine supplier to their customers. This change in presentation triggers an equal decrease between revenue and cost of sales for an amount of € 7.4 billion in 2017 with no impact on Gross Margin, EBIT and on the Cash Flows of the company.

Impacts on the disclosures

IFRS 15 requires a disclosure of the unperformed performance obligations (represent obligations under binding contracts which are not or not fully completed). In its 2018 financial statements, Airbus will elect the practical expedient which will allow disclosing the unperformed performance obligations as at 31 December 2018 without comparative figures.

3. Acquisitions and disposals

Acquisitions

On 16 October 2017, Airbus and **Bombardier Inc. (“Bombardier”)** signed an agreement that brings together Airbus’ global reach and scale with Bombardier’s newest, state-of-the-art jet aircraft family. Under the agreement, Airbus will provide procurement, sales and marketing, and customer support expertise to the C Series Aircraft Limited Partnership (“CSALP”), the entity that manufactures and sells the C Series. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec will own approximately 31% and 19%, respectively. The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction.

On 9 March 2016, Airbus Commercial Aircraft acquired 100% of the shares of the **Navtech Inc. Group (“Navtech”)**, a leading global provider of flight operations solutions, and has recognised goodwill of € 104 million. The purchase price allocation ended on 9 March 2017. No adjustment was made on the goodwill.

Navtech provides aviation services with a suite of flight operations products, aeronautical charts, navigation data solutions, flight planning, aircraft performance and crew planning solutions. Navtech generates annual revenues of approximately US\$ 40 million and employs over 250 employees, mainly based in Waterloo (Canada) and in Hersham and Cardiff (UK).

Disposals

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

On 28 February 2017, Airbus sold its **defence electronics business**, a leading global provider of mission-critical sensors, integrated systems and services for premium defence and security applications mainly based in Ulm (Germany), to affiliates of KKR & Co. L.P. (the acquirer), a leading global investment firm. The German defence electronics business was sold for € 823 million, Airbus Defence and Space recognised a net gain on sale of € 604 million. The closing for the French defence electronics business will occur after full separation of the business sold from Airbus other business activities and is expected to take place in 2018. The divestment is part of the strategic review of the Airbus Defence and Space business portfolio. The assets and liabilities of this company were classified as a disposal group held for sale as of 31 December 2016. With respect to extending security clearance for the Airbus Defence and Space business, Airbus made a 25.1% reinvestment into **Hensoldt Holding Germany GmbH**, a subsidiary of the acquirer which now holds the transferred business. The reinvestment took the form of an equity investment of € 6 million and a shareholder loan of € 109 million. In addition, the reinvestment agreement provides for a combined put/call option mechanism which is subject to full separation being achieved and will then allow the acquirer to take over Airbus’ equity investment and shareholder loan at a pre-determined price at any time, and Airbus to sell them to the acquirer at that price after three years.

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

On 17 June 2015, Airbus Commercial Aircraft signed an agreement with Singapore-based ST Aerospace Ltd. (“STA”) to offer passenger-to-freighter (“P2F”) conversion solutions for its A320 and A321 aircraft. **Elbe Flugzeugwerke’s (“EFW”)**, Dresden (Germany), assets and liabilities were classified as disposal groups held for sale as of 31 December 2015. On 4 January 2016, STA acquired an additional 20% of the shares by way of a contribution in kind and a capital increase to EFW, and consequently, Airbus lost the control of EFW. Airbus retains 45% of the shares of EFW with

significant influence. As per 2016 financial statements, Airbus Commercial Aircraft has recognised in other income a € 19 million gain during the year.

On 2 June 2016, Airbus DS Holding SAS (France) and Astrium International Holdings B.V. (Netherlands), as beneficiaries, and a French private equity firm, Apax Partners, closed the sale of the **business communications entities**. The assets and liabilities of these entities were previously classified as disposal groups held for sale. The gain resulting from this transaction of € 146 million was recognised in other income (reported in Airbus Defence and Space Division).

On 14 June 2016, Airbus Group SAS sold approximately 1.33 million shares in **Dassault Aviation**, around 62% to institutional investors and 38% to Dassault Aviation, at a price of € 950 per share. The total gain on these transactions amounted to € 528 million recognised in other income (reported in "Other / HQ / Conso."). The remaining investment, representing 10% of Dassault Aviation's share capital, is classified as other investments and measured at fair value (see "– Note 14: Other Investments and Other Long-Term Financial Assets"). The resulting gain of € 340 million was recognised in other income (reported in "Other / HQ / Conso.") in 2016. The Company also issued bonds exchangeable in Dassault Aviation shares (see "– Note 21: Net Cash"). In the event of exchange in full of the bonds, Airbus will have fully disposed of its Dassault Aviation stake.

On 20 May 2016, Airbus and Safran signed the second phase of the Master Agreement enabling the joint venture **ArianeGroup** (formerly Airbus Safran Launchers, "ASL") to be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems. During the second phase, Safran and Airbus integrated within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems. On 30 June 2016, Airbus contributed the second phase assets and liabilities in exchange for shares issued by Airbus Safran Launchers Holding, and also sold additional assets in exchange for € 750 million in cash. In 2016, Airbus participation in ArianeGroup was accounted for at-equity for a € 677 million amount. In 2016, the loss of control in the business resulted in a capital gain of € 1,175 million recognised in other income (reported in Airbus Defence and Space Division). Airbus and Safran finalised the respective contribution balance sheet in the third quarter 2016 in alignment with the provision of the Master Agreement. On 31 December 2016, the transfer of the 34.68% of CNES's stake in Arianespace to ArianeGroup was completed. ArianeGroup holds 74% of the shares of Arianespace. This change in the shareholder mix at Arianespace finalises the creation of a new launcher governance in Europe.

The ArianeGroup joint venture transaction was finalised in 2017 with a final agreement on Airbus contribution balance sheet leading to € 52 million additional capital gain on the period. The purchase price allocation was completed as of 30 June 2017. The purchase price was mainly allocated to identified intangible assets for a € 395 million value, a € 16 million depreciation expense net of tax was recognised in 2017 (2016: € 7 million based on preliminary allocation). The remaining goodwill is part of the value of the investment accounted for under the equity method in ArianeGroup (see "– Note 13: "Investments Accounted for under the Equity Method").

Assets and disposal groups classified as held for sale

As of 31 December 2017, Airbus accounted for assets and disposal groups of assets classified as held for sale in the amount of € 202 million (2016: € 1,148 million). Disposal group of liabilities classified as held for sale as of 31 December 2017 amount to € 106 million (2016: € 991 million). The assets and disposal groups classified as held for sale are mainly related to assets and liabilities from non-core businesses planned to be sold under the strategic portfolio review within Airbus Defence and Space.

4. Segment information

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

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

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

Airbus uses EBIT as a key indicator of its economic performance.

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

<i>(In € million)</i>	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	Consolidated
Total revenues	50,958	6,450	10,804	68,212	55	68,267
Internal revenues	(919)	(476)	(100)	(1,495)	(5)	(1,500)
Revenues	50,039	5,974	10,704	66,717	50	66,767
Profit before finance costs and income taxes (EBIT)	3,428	337	212	3,977	(556)	3,421
Interest result						(328)
Other financial result						1,477
Income taxes						(1,693)
Profit for the period						2,877

Business segment information for the year ended 31 December 2016 is as follows:

<i>(In € million)</i>	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	Consolidated
Total revenues	49,237	6,652	11,854	67,743	57	67,800
Internal revenues	(646)	(448)	(118)	(1,212)	(7)	(1,219)
Revenues	48,591	6,204	11,736	66,531	50	66,581
Profit before finance costs and income taxes (EBIT)	1,543	308	(93)	1,758	500	2,258
Interest result						(275)
Other financial result						(692)
Income taxes						(291)
Profit for the period						1,000

5. Revenues and gross margin

Revenues of €66,767 million (2016: €66,581 million) were stable compared to previous year. An increase at Airbus Commercial Aircraft (€+1,721 million) was mostly driven by higher deliveries of 718 aircraft (in 2016: 688 aircraft), and a favourable foreign exchange impact. A decrease at Airbus Defence and Space (€-1,050 million) was mainly due to perimeter changes for defence activities (see “– Note 3: Acquisitions and Disposals”) and includes A400M programme revenues of €1,880 million (2016: €1,702 million).

The **gross margin** increased by €+2,343 million to €7,607 million compared to €5,264 million in 2016, mainly at Airbus Defence and Space and Airbus Commercial Aircraft, reflecting improved business performance. In 2017, there were lower net charges related to the A400M (€1,299 million, compared to €2,210 million in 2016) and A350 XWB programmes (no charge, compared to €385 million in 2016).

In 2017, Airbus Commercial Aircraft has delivered 78 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2017 have been reflected in the financial statements.

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

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

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

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

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

A detailed review of the program concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit results in an update of the loss making contract provision of €1,299 million for the year 2017 (thereof €1.149 million in the fourth quarter 2017). Airbus’ remaining exposure going forward is expected to be more limited. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions as per the revised baseline. Airbus intends to turn the DOI into a firm contract within 2018.

The A400M contractual SOC 1, SOC 1.5, SOC 2, SOC 2.5 and SOC 3 development milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, SOC 2 end of December 2015 and SOC 2.5 end of October 2017. The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised.

6. Research and development expenses

Research and development expenses decreased by -5.5% primarily reflecting R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of €219 million of development costs has been capitalised, mainly related to the A330 Neo and H160 programmes.

7. Share of profit from investments accounted for under the equity method and other income from investments

Share of profit from investments under the equity method and other income from investments increased by € 163 million to € 415 million compared to € 252 million in 2016.

8. Other income and other expenses

Other income decreased by € -1,708 million to € 981 million compared to € 2,689 million in 2016. In 2017, it mainly includes the capital gain of € 604 million from the sale of the defence electronics business. In 2016, it mainly included the capital gain of € 1,175 million following the completion of the creation of ArianeGroup, the capital gain from the sale of Dassault Aviation shares of € 528 million and the revaluation at fair value of the remaining investment in Dassault Aviation for € 340 million. For more details, please see “– Note 3: Acquisitions and Disposals”.

Other expenses increased to € -336 million compared to € -254 million in 2016. It includes the arbitral award relating to the Republic of China (Taiwan). For more details please see “– Note 22: Litigation and Claims”.

9. Total finance costs

Total finance costs improved by € 2,116 million to € 1,149 million compared to € -967 million in 2016. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of € +439 million and the revaluation of financial instruments of € +743 million. In addition, it included the impact of the decrease in the European Governments refundable advances primarily related to the A380 programme (see “– Note 18: Other Financial Assets and Other Financial Liabilities”).

10. Income tax

The **income tax** expense of € -1,693 million (2016: € -291 million) corresponds to an effective tax rate of 37.1% (2016: 22.5%).

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

In 2016, the effective tax rate was due to the sale of shares of Dassault Aviation and the creation of ASL, both subject to specific tax treatment. These were partially compensated by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016. Without these impacts, the effective tax rate would be approximately 28%.

11. Earnings per share

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	€ 2,873 million	€ 995 million
Weighted average number of ordinary shares	773,772,702	773,798,837
Basic earnings per share	€ 3.71	€ 1.29

Diluted earnings per share – Airbus’ categories of dilutive potential ordinary shares are share-settled Performance Units relating to Long-Term Incentive Plans (“LTIP”) and the convertible bond issued on 1 July 2015. In 2016, it also included the last Stock Option Plan (“SOP”) expired in December 2016. During 2017, the average price of the Company’s shares exceeded the exercise price of the share-settled Performance Units and therefore 505,536 shares (in 2016: 287,807 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the

convertible bond was also considered in the calculation of diluted earnings per share in 2017, by adding back € 7 million of interest expense to the profit for the period attributable to equity owners of the parent (2016: € 7 million) and by including 5,022,990 of dilutive potential ordinary shares.

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	€ 2,880 million	€ 1,002 million
Weighted average number of ordinary shares (diluted) ⁽¹⁾	779,301,228	779,109,634
Diluted earnings per share	€ 3.70	€ 1.29

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

12. Intangible assets and property, plant and equipment

Intangible assets decreased by € -439 million to € 11,629 million (2016: € 12,068 million) mainly due to the disposal of Vector. Intangible assets mainly relate to goodwill of € 9,141 million (2016: € 9,425 million).

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

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

Property, plant and equipment decreased by € -303 million to € 16,610 million (2016: € 16,913 million) mainly at Airbus Helicopters (€ -210 million), primarily driven by the disposal of Vector.

13. Investments accounted for under the equity method

Investments accounted for under the equity method increased by € 70 million to € 1,678 million (2016: € 1,608 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR.

14. Other investments and other long-term financial assets

<i>(In € million)</i>	31 December	
	2017	2016
Other investments	2,441	2,091
Other long-term financial assets	1,763	1,564
Total non-current other investments and other long-term financial assets	4,204	3,655
Current portion of other long-term financial assets	529	522
Total	4,733	4,177

Other investments mainly comprise Airbus' participations. The significant participations at 31 December 2017 include the remaining investment in Dassault Aviation (Airbus share: 9.93%, 2016: 10.0%) amounting to € 1,071 million (2016: € 876 million).

Other long-term financial assets and the current portion of other long-term financial assets encompass other loans in the amount of € 1,521 million and € 1,147 million as of 31 December 2017 and 2016, and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

15. Inventories

Inventories of € 31,464 million (2016: € 29,688 million) increased by € +1,776 million. This is driven by Airbus Commercial Aircraft (€ +2,354 million), and mainly reflects an increase in work in progress associated with A350 XWB ramp-up. This increase was partly compensated by a decrease in Airbus Helicopters (€ -455 million), mainly related to the disposal of Vector (see “– Note 3: Acquisitions and Disposals”).

16. Trade receivables and trade liabilities

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

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

17. Provisions

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

<i>(In € million)</i>	31 December	
	2017	2016
Provision for pensions	8,361	8,656
Other provisions	8,367	8,313
Total	16,728	16,969
<i>thereof non-current portion</i>	<i>10,153</i>	<i>10,826</i>
<i>thereof current portion</i>	<i>6,575</i>	<i>6,143</i>

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles and the strong performance of plan assets.

Other provisions are presented net of programme losses against inventories (see “– Note 15: Inventories”).

A restructuring provision associated with the re-organisation of Airbus of € 160 million was recorded at year-end 2016, following the communication of the plan to the employees and the European Works Council in November 2016. The French social plan was agreed between Airbus and the works council in June 2017. The German social plan was agreed between Airbus and the works councils in September 2017, however the reconciliation of interest is still under discussion.

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

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities to determine the precise cause of the accident. An estimate of the related net future costs has been prepared and is included in other provisions.

18. Other financial assets and other financial liabilities

Other Financial Assets

<i>(In € million)</i>	31 December	
	2017	2016
Positive fair values of derivative financial instruments	2,901	893
Others	79	83
Total non-current other financial assets	2,980	976
Receivables from related companies	992	517
Positive fair values of derivative financial instruments	663	258
Others	324	482
Total current other financial assets	1,979	1,257
Total	4,959	2,233

Other Financial Liabilities

<i>(In € million)</i>	31 December	
	2017	2016
Liabilities for derivative financial instruments	1,127	6,544
European Governments refundable advances	5,537	6,340
Others	283	429
Total non-current other financial liabilities	6,948	13,313
Liabilities for derivative financial instruments	1,144	4,476
European Governments refundable advances	364	730
Liabilities to related companies	334	116
Others	343	439
Total current other financial liabilities	2,185	5,761
Total	9,133	19,074

The total net fair value of derivative financial instruments improved by €+11,162 million to €+1,293 million (2016: €-9,869 million) as a result of the devaluation of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

As of 31 December 2017, the total hedge portfolio with maturities up to 2023 amounts to US\$ 88.7 billion (2016: US\$ 102.4 billion) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning. The average US\$/€ hedge rate of the US\$/€ hedge portfolio until 2023 amounts to US\$/€ 1.23 (2016: US\$/€ 1.25) and for the US\$/£ hedge portfolio until 2023 amounts to US\$/£ 1.43 (2016: US\$/£ 1.49).

The European Government refundable advances decreased by €-1,169 million to €5,901 million (2016: €7,070 million), primarily related to the update of the valuation of refundable advances from European Governments on A380 programme to reflect the revised commercial outlook of the programme and current status of discussions with Nations on RLI agreements restructuring. The corresponding impact is recorded in the financial result (see “– Note 9: Total Finance Costs”).

19. Other assets and other liabilities

Other Assets

<i>(In € million)</i>	31 December	
	2017	2016
Prepaid expenses	2,210	2,265
Others	86	93
Total non-current other assets	2,295	2,358
Value added tax claims	1,892	1,589
Prepaid expenses	639	552
Others	376	435
Total current other assets	2,907	2,576
Total	5,202	4,934

Other Liabilities

<i>(In € million)</i>	31 December	
	2017	2016
Customer advance payments	16,659	15,714
Others	531	565
Total non-current other liabilities	17,190	16,279
Customer advance payments	25,284	24,115
Tax liabilities (excluding income tax)	1,397	1,047
Others	2,512	2,373
Total current other liabilities	29,193	27,535
Total	46,383	43,814

20. Total equity

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

<i>(In number of shares)</i>	2017	2016
Issued as at 1 January	772,912,869	785,344,784
Issued for ESOP	1,643,193	1,474,716
Issued for exercised options	0	224,500
Cancelled	0	(14,131,131)
Issued as at 31 December	774,556,062	772,912,869
Treasury shares as at 31 December	(129,525)	(184,170)
Outstanding as at 31 December	774,426,537	772,728,699

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

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to €13,348 million (2016: €3,657 million) representing an increase of €+9,691 million. This is due to an increase in other comprehensive income of €+7,738 million, principally related to the mark to market revaluation of the hedge portfolio of €+7,757 million, and a net income for the period of €+2,873 million, partly offset by a dividend payment of €-1,043 million (€1.35 per share).

The non-controlling interests ("NCI") from non-wholly owned subsidiaries increased to €3 million as of 31 December 2017 (2016: €-5 million). These NCI do not have a material interest in Airbus' activities and cash flows. This increase is mainly related to the mark to market revaluation of the hedge portfolio.

21. Net cash

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

<i>(In € million)</i>	31 December	
	2017	2016
Cash and cash equivalents	12,016	10,143
Current securities	1,627	1,551
Non-current securities	10,944	9,897
Gross cash position	24,587	21,591
Short-term financing liabilities	(2,212)	(1,687)
Long-term financing liabilities	(8,984)	(8,791)
Total	13,391	11,113

Airbus SE
Unaudited Condensed IFRS Consolidated Financial Information
for the year ended 31 December 2017

The **net cash** position on 31 December 2017 was € 13,391 million (2016: € 11,113 million) with a gross cash position of € 24,587 million (2016: € 21,591 million).

Cash and cash equivalents

Cash and cash equivalents are composed of the following elements:

<i>(In € million)</i>	31 December	
	2017	2016
Bank account and petty cash	3,672	3,100
Short-term securities (at fair value through profit and loss)	6,256	5,513
Short-term securities (available-for-sale)	2,085	1,535
Others	8	12
Total cash and cash equivalents	12,021	10,160
Recognised in disposal groups classified as held for sale	5	17
Recognised in cash and cash equivalents	12,016	10,143

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

Securities

Airbus' security portfolio amounts to € 12,571 million and € 11,448 million as of 31 December 2017 and 2016, respectively. The security portfolio contains a non-current portion of available-for-sale-securities of € 10,944 million (in 2016: € 9,897 million) and a current portion of available-for-sale-securities of € 1,627 million (in 2016: € 1,551 million).

Financing liabilities

<i>(In € million)</i>	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds	512	1,524	5,027	7,063
Liabilities to financial institutions	290	1,397	325	2,012
Loans	144	200	185	529
Liabilities from finance leases	17	139	186	342
Others ⁽¹⁾	1,249	1	0	1,250
31 December 2017	2,212	3,261	5,723	11,196
Bonds	0	1,581	4,432	6,013
Liabilities to financial institutions	351	1,573	499	2,423
Loans	332	213	118	663
Liabilities from finance leases	15	154	220	389
Others ⁽¹⁾	989	1	0	990
31 December 2016	1,687	3,522	5,269	10,478

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, increased by € 193 million to € 8,984 million (2016: € 8,791 million). The increase in long-term financing liabilities is mainly related to the issuance of bonds. The increase in bonds corresponds principally to bonds issued on 10 April 2017, for a total of US\$ 1.5 billion, with a 10 year-maturity tranche of US\$ 750 million at fixed coupon of 3.150%, and a 30 year-maturity tranche of US\$ 750 million at a fixed coupon of 3.950%.

Short-term financing liabilities increased by € 525 million to € 2,212 million (2016: € 1,687 million). The increase in short-term financing liabilities is mainly related to the reclassification of an EMTN bond from long-term to short term due to maturity in September 2018.

22. Litigation and claims

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

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

WTO

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

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus Commercial Aircraft from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter is now under WTO review pursuant to WTO rules.

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

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

GPT

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

Eurofighter Austria

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

December 2013. Airbus provided the report to the Munich public prosecution. Airbus has been fully cooperating with the authorities. Regarding the question of deductibility of payments made in connection with the Eurofighter Austria campaign, Airbus Defence and Space GmbH settled with the tax authorities in August 2016.

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

In February 2017, the Austrian Federal Ministry of Defence raised criminal allegations against Airbus Defence and Space GmbH and Eurofighter Jagdflugzeug GmbH for wilful deception and fraud in the context of the sale of the Eurofighter aircraft to Austria and respective damage claims. After the Austrian Federal Ministry of Defence raised its criminal allegations, the Austrian public prosecutor opened an investigation against Airbus Defence and Space GmbH, Eurofighter Jagdflugzeug GmbH and former and current employees of the two entities. On 18 September 2017, Airbus filed a submission to the Vienna Public Prosecutor in response to the allegations of deception in the procurement of Eurofighter combat aircraft made by the Austrian Defence Minister. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF

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

ECA Financing

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

Other Investigations

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

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

Airbus is cooperating with a judicial investigation in France related to Kazakhstan. Airbus is not a party to these proceedings. Airbus is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

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

Review of Business Partner Relationships

In light of regulatory investigations and commercial disputes, including those discussed above, Airbus has determined to enhance certain of its policies, procedures and practices, including ethics and compliance and export control. Airbus is accordingly in the process of revising and implementing improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities and is conducting enhanced due diligence as a pre-condition for future or continued engagement and to inform decisions on corresponding payments. Airbus engaged legal, investigative, and forensic accounting expertise of the highest calibre to undertake a comprehensive review of all relevant third party business consultant relationships and related subject matters. Airbus believes that these enhancements to its controls and practices will best position it for the future, particularly in light of advancements in regulatory standards. Several consultants and other third parties have initiated commercial litigation and arbitration against Airbus seeking relief. The comprehensive review and these enhancements of its controls and practices has led to additional commercial litigation and arbitration against Airbus and may lead to other civil law or criminal law consequences in the future, which could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability.

Commercial Disputes

In May 2013, Airbus was notified of a commercial dispute following the decision taken by Airbus to cease a partnership for sales support activities in some local markets abroad. Airbus believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2018 at the earliest.

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

23. Number of employees

	Airbus		Airbus	Total segments	Other / HQ	Consolidated
	Commercial Aircraft	Airbus Helicopters	Defence and Space			
31 December 2017	74,542	20,108	32,171	126,821	2,621	129,442
31 December 2016	73,852	22,507	34,397	130,756	3,026	133,782

24. Events after the reporting date

On 7 February 2018, Airbus has signed a DOI with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxemburg) defining the framework for achieving a mutually binding contract amendment later in the year (see “– Note 5: Revenues and Gross Margin”).

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