2.1 Operating and Financial Review

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

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

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

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

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 Terminology has changed such that "EBIT* before one-offs" has been replaced by "EBIT Adjusted" and "EPS* before one-offs" has been replaced by "EPS Adjusted".

2.1.1 Overview

With consolidated revenues of €66.8 billion in 2017, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide. In 2017, it generated 85% of its total revenues in the civil sector (compared to 83% in 2016) and 15% in the defence sector (compared to 17% in 2016). As of 31 December 2017, Airbus' active headcount was 129,442 employees, decreased compared to 2016 (133,782 in 2016) mainly reflecting perimeter change from divestments.

2.1.1.1 Exchange Rate Information

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

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

2.1.1.2 Reportable Business Segments

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

- **Airbus Commercial Aircraft**: development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components;
- **Airbus Helicopters**: development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter-related services; and
- **Airbus Defence and Space**: is organised in four Programme Lines: Military Aircraft, Space Systems, Communications, Intelligence & Security (CIS), and Unmanned Aerial Systems (UAS). It designs, develops and engineers products, systems and services in the field of defence and space for governments, institutions and commercial customers. In addition, the main joint ventures design, develop, deliver and support missile systems as well as space launchers and launch services.

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

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

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

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

In 2017, Airbus Commercial Aircraft delivered 15 A380 aircraft and plans to deliver 12 aircraft in 2018 and 9 aircraft in 2019. The Emirates order in February 2018 provides increased visibility on the A380 programme for the years to come. At a baseline of 6 deliveries per year, Airbus can produce the A380 in an industrial efficient way over the coming years. A reasonable industrial efficiency can be maintained at a new baseline of 6 aircraft a year with an acceptable margin and cash dilution. As of 28 February 2018, Airbus had 331 orders for A380s, of which 222 have been delivered to 13 airlines. The A380 order book includes orders for 8 customers.

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

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

In 2017, Airbus Commercial Aircraft delivered 78 A350 XWB aircraft. New order intake, cancellations, delivery postponements and other contractual agreements to the end of December 2017 have been reflected in the financial statements. The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer commitments. The level of outstanding work in the Final Assembly Line has been significantly reduced. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up continues. The A350 programme is preparing to reach the targeted monthly production rate of 10 by the end of 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Airbus makes estimates and provides, across the programmes, for costs related to in-service technical issues which have been identified and for which solutions have been defined, which reflects the latest facts and circumstances. Airbus is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and be considered on a case by case basis.

Restructuring provisions.

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

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

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

2.1.1.4 Current Trends

Airbus' 2018 guidance is issued considering the full implementation of IFRS 15, which is now the standard for revenue recognition.

As the basis for its 2018 guidance, Airbus expects the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions.

Airbus' 2018 earnings and Free Cash Flow guidance is based on a constant perimeter, before M&A. Airbus expects to deliver around 800 commercial aircraft, which depends on engine manufacturers meeting commitments. Based on around 800 deliveries, Airbus expects a significant increase in EBIT Adjusted for 2018 and Free Cash Flow is expected to be at a similar level as 2017, before M&A and Customer Financing.

2.1.2 Significant Accounting Considerations, Policies and Estimates

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

2.1.2.1 Scope of and Changes in Consolidation

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

2.1.2.2 Capitalised Development Costs

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

2.1.2.3 Accounting for Hedged Foreign Exchange Transactions in the Financial Statements

More than 75% of Airbus' revenues are denominated in US dollars, whereas a substantial portion of its costs is incurred in euros and, to a smaller extent, in pounds sterling. Airbus uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency. For further information, see "— 2.1.7 Hedging Activities", "Risk Factors — 1. Financial Market Risks — Foreign Currency Exposure" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant accounting policies" and "Note 35: Information about financial instruments".

2.1.2.4 Foreign Currency Translation

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

Currency Translation Mismatch

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

2.1.2.5 Accounting for Sales Financing Transactions in the Financial Statements

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

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

2.1.2.6 Provisions for Loss Making Contracts

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

2.1.3 Performance Measures

2.1.3.1 Divisions

Airbus Commercial Aircraft

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

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

Airbus Helicopters

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

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

Airbus Defence and Space

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

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

2.1.3.2 Order Backlog

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.1.3.3 Use of EBIT Adjusted

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

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

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

2.1.3.4 EBIT Adjusted by Division

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

2.1.3.5 EBIT by Division

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

(1) "Other / HQ / Consolidation" comprises results from headquarters, which mainly consist of the "share of profit from investments in associates" from Airbus' investment in Dassault Aviation.

(2) "Other / HQ / Consolidation" comprises the capital gain from the sale of Dassault Aviation shares and the revaluation at fair value of the remaining investment in Dassault Aviation.

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

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

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

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

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

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

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

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

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

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

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

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

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

During 2016, cash flow hedges covering approximately US$23.5 billion of Airbus' US dollar-denominated revenues matured excluding US$ 1.5 billion of new hedges entered into to address intra-year shifts in Net Exposure linked to delivery phasing. In 2016, the compounded exchange rate at which hedged US dollar-denominated revenues were accounted for was €-US$1.32, as compared to €-US$1.34 in 2015.

2

2.1.4 Results of Operations

Set forth below is a summary of Airbus' Consolidated Income Statements (IFRS) for the past three years.

(in €m, except for earnings per share)	**Year ended 31 December 2017**	Year ended 31 December 2016	Year ended 31 December 2015
Revenues	66,767	66,581	64,450
Cost of sales	(59,160)	(61,317)	(55,599)
Gross margin	**7,607**	**5,264**	**8,851**
Selling and administrative expenses	(2,439)	(2,723)	(2,651)
Research and development expenses	(2,807)	(2,970)	(3,460)
Other income	981	2,689	474
Other expenses	(336)	(254)	(222)
Share of profit from investments accounted for under the equity method and other income from investments	415	252	1,070
Profit before finance costs and income taxes	**3,421**	**2,258**	**4,062**
Interest result	(328)	(275)	(368)
Other financial result	1,477	(692)	(319)
Income taxes	(1,693)	(291)	(677)
Profit for the period	**2,877**	**1,000**	**2,698**
Attributable to:			
Equity owners of the parent (Net Income)	**2,873**	995	**2,696**
Non-controlling interests	4	5	2
Earnings per share (basic) *(in €)*	**3.71**	**1.29**	**3.43**
Earnings per share (diluted) *(in €)*	**3.70**	**1.29**	**3.42**

Set forth below are year-to-year comparisons of results of operations, based upon Airbus' Consolidated Income Statements.

2.1.4.1 Consolidated Revenues

Set forth below is a breakdown of Airbus' consolidated revenues by Division for the past three years.

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

For 2017, consolidated revenues were stable at €66.8 billion, 0.3% increase from €66.6 billion in 2016, as higher aircraft deliveries at Airbus Commercial Aircraft were offset by the portfolio reshaping in Airbus Defence and Space and in Airbus Helicopters resulting in reduction of revenues of around € 2 billion.

For 2016, consolidated revenues increased by 3.3%, from €64.5 billion for 2015 to €66.6 billion for 2016. The increase was primarily due to higher revenues at Airbus Commercial Aircraft.

Airbus Commercial Aircraft

Set forth below is a breakdown of deliveries of commercial aircraft by product type for the past three years.

Number of aircraft	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
A320 Family	558	545	491
A330	67	66	103
A350 XWB	78	49	14
A380	15	28	27
Total	**718**	**688**	**635**

Airbus Commercial Aircraft's consolidated revenues increased by 3.5%, from €49.2 billion for 2016 to €51.0 billion for 2017. This was due to record deliveries of 718 aircraft (compared to 688 deliveries in 2016) including 78 A350 XWBs and a favourable foreign exchange impact.

Airbus Commercial Aircraft's consolidated revenues increased by 7.4%, from €45.9 billion for 2015 to €49.2 billion for 2016. This was due to higher deliveries of 688 aircraft (compared to 635 deliveries in 2015) including 49 A350 XWBs and the strengthening US dollar.

Airbus Helicopters

Set forth below is a breakdown of deliveries of helicopters by product type for the past three years.

Number of aircraft	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
Light	166	177	178
Medium	178	165	124
Heavy	48	57	77
of which NH90	*40*	*38*	*35*
Tiger	17	19	16
Total	**409**	**418**	**395**

Consolidated revenues of Airbus Helicopters decreased by 3.0%, from €6.7 billion for 2016 to €6.5 billion in 2017 reflecting lower deliveries of 409 units and lower commercial flight hours in services impacted by Super Puma grounding. The number of Heavy helicopters delivered continued to decrease in 2017, reflecting the soft Civil & Parapublic market, particularly in Oil & Gas. The disposal of Vector Aerospace had a negative perimeter change impact of around € 0.1 billion.

Consolidated revenues of Airbus Helicopters decreased by 2.0%, from €6.8 billion for 2015 to €6.7 billion in 2016, mainly reflecting an unfavourable mix and lower commercial flight hours in services.

Airbus Defence and Space

Set forth below is a breakdown of deliveries of Airbus Defence and Space by product type for the past three years.

Number of aircraft	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
A400M	19	17	11
A330 MRTT (Tanker)	1	2	4
Light & Medium aircraft	7	14	19
Telecom satellites	4	1	5
Total	**31**	**34**	**39**

Airbus Defence and Space's consolidated revenues decreased by 8.9% from € 11.9 billion for 2016 to € 10.8 billion in 2017, reflecting the Division's perimeter changes of around € 1.7 billion but were 7% higher on a comparable basis driven mainly by military aircraft. The lower number of Light & Medium aircraft delivered in 2017 is a function of lower order intake in recent years.

Airbus Defence and Space's consolidated revenues decreased by 9.4% from € 13.1 billion for 2015 to € 11.9 billion in 2016, reflecting a negative impact from portfolio reshaping of about € 1 billion but were broadly stable on a comparable basis.

2.1.4.2 Consolidated Cost of Sales

Consolidated cost of sales decreased by 3.5% from €61.3 billion for 2016 to €59.2 billion for 2017. The decrease was primarily due to a lower net charge related to the A400M programme in the amount of € 1,299 million (in 2016: € 2,210 million), and the perimeter changes at Airbus Defence & Space. In 2016 a charge of €385 million was booked for the A350 XWB programme.

Consolidated cost of sales increased by 10.3% from €55.6 billion for 2015 to €61.3 billion for 2016. The increase was primarily due to business growth at Airbus Commercial Aircraft and negative foreign exchange revaluation impacts from PDP/BS revaluation. The charge related to the A400M programme in the amount of € 2,210 million (in 2015: € 290 million) and to the A350 XWB programme in the amount of €385 million (in 2015: €0 million).

2.1.4.3 Consolidated Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased by 10.4%, from €2.7 billion for 2016 to €2.4 billion for 2017.

Consolidated selling and administrative expenses were broadly stable at €2.7 billion in 2016 and 2015.

2.1.4.4 Consolidated Research and Development Expenses

Consolidated research and development expenses decreased by 5.5%, from €3.0 billion for 2016 to €2.8 billion for 2017 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of €219 million of development costs has been capitalised, mainly related to the A330neo and H160 programmes. See "— 2.1.2.2 Capitalised development costs".

Consolidated research and development expenses decreased by 14.2%, from €3.5 billion for 2015 to €3.0 billion for 2016 primarily reflecting a reduction of R&D activities on the A350 XWB programme at Airbus Commercial Aircraft as committed. In addition, an amount of €311 million of development costs has been capitalised, mainly related to the A350-1000, FSTA and H160 programmes.

2.1.4.5 Consolidated Other Income and Other Expenses

Consolidated other income and other expenses include gains and losses on disposals of investments, of fixed assets and income from rental properties.

For 2017, other income and other expenses was €+645 million net as compared to €+2,435 million net for 2016. In 2017, it mainly includes the capital gain of €604 million from the disposal of the defence electronics business.

For 2016, other income and other expenses was €+2,435 million net as compared to €+252 million net for 2015. The net increase is due mainly to the capital gain of €1,175 million following the completion of the creation of the ASL joint venture, the capital gain from the sale of Dassault Aviation shares of €528 million and the revaluation at fair value of the remaining investment in Dassault Aviation of €340 million and the capital gain of €146 million on the disposal of the business communications entities.

2.1.4.6 Consolidated Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

Consolidated share of profit from investments accounted for under the equity method and other income from investments principally includes results from companies accounted for under the equity method and the results attributable to non-consolidated investments.

For 2017, Airbus recorded €415 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €252 million for 2016. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 7: Investments Accounted for under the Equity Method" and "Note 12: Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments".

For 2016, Airbus recorded €252 million in consolidated share of profit from investments accounted for under the equity method and other income from investments as compared to €1,070 million for 2015. It also includes Airbus' share in ASL's results. In 2015, it included the net gain from the partial sale of Dassault Aviation shares.

2.1.4.7 Consolidated Interest Result

Consolidated interest result reflects the net of interest income and expense arising from financial assets and liabilities, including interest expense on refundable advances provided by European Governments to finance R&D activities.

For 2017, Airbus recorded a consolidated net interest expense of € -328 million, as compared to € -275 million for 2016. The decrease in interest result was primarily due to higher interest expense recorded on European Government refundable advances.

For 2016, Airbus recorded a consolidated net interest expense of € -275 million, as compared to € -368 million for 2015. The improvement in interest result is primarily due to lower interest expense recorded on European Government refundable advances.

2.1.4.8 Consolidated Other Financial Result

This line item includes, among others, the impact from the revaluation of financial instruments, the effect of foreign exchange valuation of monetary items and the unwinding of discounted provisions. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 2: Significant Accounting Policies" and "Note 14: Total Finance Costs".

Consolidated other financial result increased from € -692 million for 2016 to € 1,477 million for 2017. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of € +439 million and the revaluation of financial instruments of € +743 million. In addition, it included the impact of the decrease in the European Governments refundable advances primarily related to the A380 programme. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other Financial Assets and Other Financial Liabilities".

Consolidated other financial result decreased from € -319 million for 2015 to € -692 million for 2016 reflecting a € -373 million negative change from revaluation of financial instruments together with a deterioration of the foreign exchange translation of monetary items.

2.1.4.9 Consolidated Income Taxes

For 2017, income tax expense was € -1,693 million as compared to € -291 million for 2016. The increase was primarily due to the higher income before tax recorded in 2017 (€ 4,570 million) as compared to 2016 (€ 1,291 million). The effective tax rate was 37%. It was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. It also included an additional income tax charge related to the 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 offset by the disposal of the defence electronics business, which is taxed at a reduced rate. Without these impacts, the effective tax rate would be approximately 26%. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 15: Income Tax".

For 2016, income tax expense was € -291 million as compared to € -677 million for 2015. The decrease was primarily due to the lower income before tax recorded in 2016 (€ 1,291 million) as compared to 2015 (€ 3,375 million). The effective tax rate was 23% in 2016. The effective tax rate was affected by the sale of shares of Dassault Aviation and the creation of ASL both subject to specific tax treatment. These effects were partially offset by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016.

2.1.4.10 Consolidated Non-Controlling Interests

For 2017, consolidated profit for the period attributable to non-controlling interests was € 4 million, as compared to € 5 million for 2016.

2.1.4.11 Consolidated Profit for the Period Attributable to Equity Owners of the Parent (Net Income)

As a result of the factors discussed above, Airbus recorded consolidated net income of € 2,873 million for 2017, as compared to € 995 million for 2016.

2.1.4.12 Earnings per Share

Basic earnings were € 3.71 per share in 2017, as compared to € 1.29 per share in 2016. The number of issued shares as of 31 December 2017 was 774,556,062. The denominator used to calculate earnings per share was 773,772,702 shares (in 2016: 773,798,837), reflecting the weighted average number of shares outstanding during the year. In 2015, the Company reported basic earnings of € 3.43 per share, based on a denominator of 785,621,099 shares. For further details, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total Equity" and "Note 16: Earnings per Share".

Diluted earnings were € 3.70 per share in 2017, as compared to € 1.29 per share in 2016. The denominator used to calculate diluted earnings per share was 779,301,228 (in 2016: 779,109,634), reflecting the weighted average number of shares outstanding during the year, adjusted to assume the conversion of all potential ordinary shares. In 2015, the Company reported diluted earnings of € 3.42 per share, based on a denominator of 788,491,929 shares.

2.1.5 Changes in Consolidated Total Equity (Including Non-Controlling Interests)

The following table sets forth a summary of the changes in consolidated total equity for the period 1 January 2017 through 31 December 2017.

(in €m)	
Balance as at 31 December 2016	**3,652**
Profit for the period	2,877
Other comprehensive income	7,773
Thereof foreign currency translation adjustments	*(539)*
Cash distribution to shareholders / dividends paid to non-controlling interests	(1,046)
Capital increase	83
Equity transactions (IAS 27)	(25)
Change in treasury shares	1
Share-based payment (IFRS 2)	36
Balance as at 31 December 2017	**13,351**

Please refer to the "Airbus SE IFRS Consolidated Financial Statements — IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2017 and 2016" and to the "Notes to the IFRS Consolidated Financial Statements — Note 32: Total equity".

Set forth below is a discussion on the calculation of accumulated other comprehensive income ("AOCI") and the related impact on consolidated total equity.

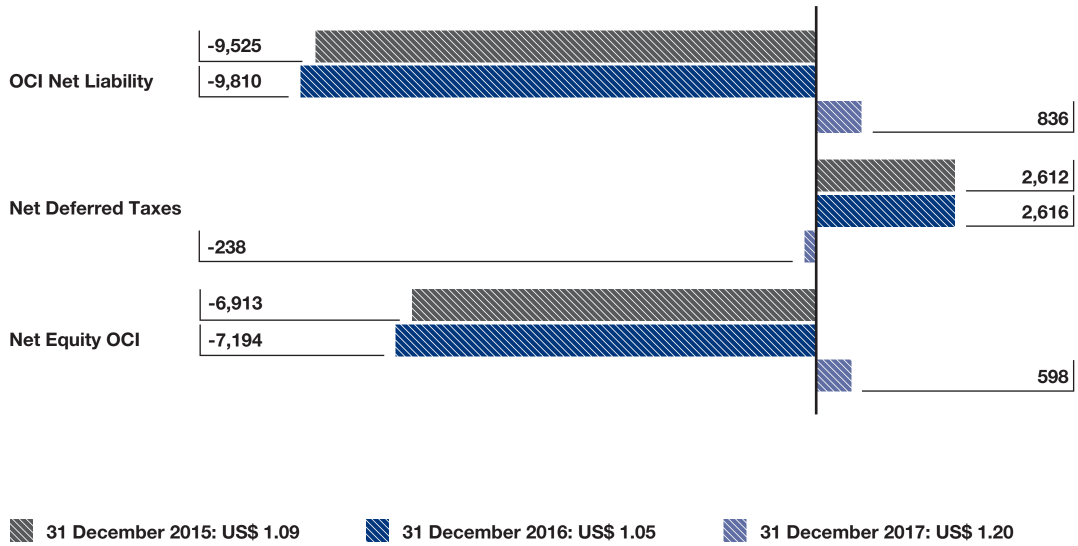
2.1.5.1 Cash Flow Hedge Related Impact on AOCI

As of 31 December 2017, the notional amount of Airbus' portfolio of outstanding cash flow hedges amounted to US$ 88.7 billion, hedged against the euro and the pound sterling. The year-end mark to market valuation of this portfolio required under IAS 39 resulted in a positive pre-tax AOCI valuation change of € 10.6 billion as of 31 December 2017 compared to 31 December 2016, based on a closing rate of € -US$ 1.20 as compared to a negative pre-tax AOCI valuation change of € -0.3 billion as of 31 December 2016 compared to 31 December 2015, based on a closing rate of €-US$ 1.05. For further information on the measurement of the fair values of financial instruments, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35: Information about financial instruments".

Positive pre-tax mark to market values of cash flow hedges are included in other financial assets, while negative pre-tax mark to market values of cash flow hedges are included in other financial liabilities. Year-to-year changes in the mark to market value of effective cash flow hedges are recognised as adjustments to AOCI. These adjustments to AOCI are net of corresponding changes to deferred tax assets (for cash flow hedges with negative mark to market valuations) and deferred tax liabilities (for cash flow hedges with positive mark to market valuations). Set out below is a graphic presentation of cash flow hedge related movements in AOCI over the past three years (in €m).

Note: The mark to market of the backlog is not reflected in the accounts whereas the mark to market of the hedge book is reflected in AOCI.

CASH FLOW HEDGE RELATED MOVEMENTS IN AOCI IN €M (BASED ON YEAR-END EXCHANGE RATES)



As a result of the positive change in the fair market valuation of the cash flow hedge portfolio in 2017, AOCI amounted to a net asset of €+0.8 billion for 2017, as compared to a net liability of €-9.8 billion for 2016. The corresponding €-2.8 billion tax effect led to a net deferred tax liability of €-0.2 billion as of 31 December 2017 as compared to a net deferred tax asset of €2.6 billion as of 31 December 2016.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.5: Derivative Financial Instruments and Hedge Accounting Disclosure".

2.1.5.2 Currency Translation Adjustment Impact on AOCI

The €-539 million currency translation adjustment related impact on AOCI in 2017 mainly reflects the effect of the variations of the US dollar and the pound sterling.

2.1.6 Liquidity and Capital Resources

Airbus' objective is to generate sufficient operating cash flow in order to invest in its growth and future expansion, honour the Company's dividend policy and maintain financial flexibility while retaining its credit rating and competitive access to capital markets.

Airbus defines its consolidated net cash position as the sum of (i) cash and cash equivalents and (ii) securities, minus (iii) financing liabilities (all as recorded in the Consolidated Statement of Financial Position). Net cash position is an alternative performance measure and an indicator that allows the Company to measure its ability to generate sufficient liquidity to invest in its growth and future expansion, honour its dividend policy and maintain financial flexibility. The net cash position as of 31 December 2017 was €13.4 billion (€11.1 billion as of 31 December 2016).

The liquidity is further supported by a €3.0 billion syndicated back-up facility, undrawn as of 31 December 2017 with no financial covenants, as well as a Euro Medium Term Note programme and commercial paper programme. See "— 2.1.6.3 Consolidated Financing Liabilities" and please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash — Financing Liabilities". The factors affecting Airbus' cash position, and consequently its liquidity risk, are discussed below.

For information on Airbus SE's credit ratings, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 33: Capital Management" and see "— 2.1.6.1: Cash Flows".

2

2.1.6.1 Cash Flows

Airbus generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, risk-sharing partnerships with subcontractors and European Government refundable advances. In addition, Airbus' military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets.

The following table sets forth the variation of Airbus' consolidated net cash position over the periods indicated.

(in €m)	**2017**	2016	2015
Consolidated net cash position at 1 January	**11,113**	**10,003**	**9,092**
Gross cash flow from operations(1)	4,451	3,565	4,614
Changes in other operating assets and liabilities (working capital) (2)	266	346	(723)
Thereof customer financing	*(100)*	*(252)*	*(150)*
Cash used for investing activities(3)	(982)	(730)	(1,066)
Thereof industrial capital expenditures	*(2,558)*	*(3,060)*	*(2,924)*
Free Cash Flow(4)	**3,735**	**3,181**	**2,825**
Thereof M&A transactions	*886*	*2,025*	*1,650*
Free Cash Flow before M&A(5)	*2,849*	*1,156*	*1,175*
Cash flow from customer financing (net)	(100)	(252)	(150)
Free Cash Flow before customer financing	*3,835*	*3,433*	*2,975*
Free Cash Flow before M&A and customer financing	*2,949*	*1,408*	*1,325*
Cash distribution to shareholders / non-controlling interests	(1,046)	(1,012)	(948)
Contribution to plan assets of pension schemes	(458)	(290)	(217)
Changes in capital and non-controlling interests	83	60	195
Share buyback / Change in treasury shares	0	(736)	(264)
Others	(36)	(93)	(680)
Consolidated net cash position as of 31 December	**13,391**	**11,113**	**10,003**

(1) Represents cash provided by operating activities, excluding (i) changes in other operating assets and liabilities (working capital), (ii) contribution to plan assets of pension schemes and (iii) realised foreign exchange results on Treasury swaps (€ -74 million in 2015; € -151 million in 2016, € 185 million in 2017). It is an alternative performance measure and an indicator used to measure its operating cash performance before changes in working capital.
(2) Excluding reclassification of certain trade liabilities.
(3) Does not reflect change of securities (net investment of € -2,361 million for 2015; net disposal of € 337 million for 2016; net investment of € -1,233 million for 2017), which are classified as cash and not as investments solely for the purposes of this net cash presentation. Excluding bank activities.
(4) Does not reflect change of securities, change in cash from changes in consolidation, contribution to plan assets of pension schemes and realised foreign exchange results on Treasury swaps. Excluding bank activities. Free Cash Flow is an alternative performance measure and indicator that reflects the amount of cash flow generated from operations after cash used in investing activities.
(5) Free Cash Flow before M&A refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and indicator that reflects Free Cash Flow excluding those cash flows from the disposal and acquisition of businesses.

The net cash position as of 31 December 2017 was € 13.4 billion, a 20.5% increase from 31 December 2016. The increase primarily reflects the gross cash flow from operations (€ 4.5 billion), partially offset by the cash distribution to shareholders / non-controlling interests (€ -1.0 billion) and the cash used for investing activities (€ -1.0 billion).

Gross Cash Flow from Operations

Gross cash flow from operations is an alternative performance measure and an indicator used by Airbus to measure its operating cash performance before changes in working capital. Gross cash flow from operations increased by 24.9% to € 4.5 billion for 2017, which reflects the strong EBIT Adjusted.

Changes in Other Operating Assets and Liabilities

Changes in other operating assets and liabilities is comprised of inventories, trade receivables, other assets and prepaid expenses netted against trade liabilities, other liabilities (including customer advances) and deferred income. They resulted in a € +0.3 billion positive impact on the net cash position for 2017, unchanged from a positive impact of € +0.3 billion for 2016.

In 2017, the main net contributors to the positive working capital variation were an increase in trade liabilities (€ 1.4 billion) due to more favourable payment terms to suppliers and the pre-delivery payment from customers (€ 1.3 billion). This was mainly offset by the change in inventory (€ -2.6 billion) reflecting increased work in progress mainly associated with the A350 XWB and the A320neo at Airbus Commercial Aircraft.

European Government refundable advances. As of 31 December 2017, total European Government refundable advances liabilities, recorded on the statement of financial position in the line items "non-current other financial liabilities" and "current other financial liabilities" due to their specific nature, amounted to €5.9 billion, including accrued interest.

European Government refundable advances (net of reimbursements) decreased in 2017, primarily related to the update of the valuation of refundable advances from European Governments on the A380 programme following a review of the commercial assumptions as well as due to repayments made under the A350 XWB and the A380 programmes. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 23: Other Financial Assets and Other Financial Liabilities".

Cash Used for Investing Activities

Management categorises cash used for investing activities into three components: (i) industrial capital expenditures, (ii) M&A transactions and (iii) others.

Industrial capital expenditures. Industrial capital expenditures (investments in property, plant and equipment and intangible assets) amounted to €-2.6 billion for 2017 as compared to €-3.1 billion for 2016 and €-2.9 billion for 2015. Capital expenditures in 2017 related to programmes at Airbus Commercial Aircraft of €-1.9 billion (among others for the ramp-up phase of A350 XWB and A320neo Family, for Beluga XL and for the A330neo) and additional projects in the Divisions of €-0.7 billion. Capital expenditures include product-related development costs that are capitalised in accordance with IAS 38. See "— 2.1.2.2 Capitalised development costs".

M&A transactions. In 2017, the € 0.9 billion figure includes net proceeds of around € 600 million from the defence electronics disposal and around € 400 million from the Vector Aerospace sale. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 6: Acquisitions and Disposals".

In 2016, the €2.0 billion figure principally reflects the sale of Dassault Aviation shares and the finalisation of the creation of ASL in the first half of 2016.

Free Cash Flow

Airbus defines Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes, (v) realised foreign exchange results on treasury swaps and (vi) Airbus bank activities. It is an alternative performance measure and key indicator that is important in order to measure the amount of cash flow generated from operations after cash used in investing activities. As a result of the factors discussed above, Free Cash Flow amounted to €3.7 billion for 2017 as compared to €3.2 billion for 2016 and €2.8 billion for 2015. Free Cash Flow before customer financing was €3.8 billion for 2017 as compared to €3.4 billion for 2016 and €3.0 billion for 2015.

Free Cash Flow before M&A

Free Cash Flow before mergers and acquisitions refers to Free Cash Flow adjusted for net proceeds from disposals and acquisitions. It is an alternative performance measure and key indicator that reflects Free Cash Flow excluding those cash flows resulting from acquisitions and disposals of businesses.

Free Cash Flow before M&A and Customer Financing

Free Cash Flow before M&A and customer financing refers to Free Cash Flow before mergers and acquisitions adjusted for cash flow related to aircraft financing activities. It is an alternative performance measure and indicator that may be used from time to time by Airbus in its financial guidance, especially when there is higher uncertainty around customer financing activities, such as during the suspension of ECA financing support.

Change in Treasury Shares

In 2017, there was no change in treasury shares. Change in treasury shares for 2016 amounted to € -0.7 billion, which was mostly related to the share buyback. In 2015 the Company undertook a share buyback for a maximum amount of € 1 billion. The total cumulative amount of shares bought back and cancelled in 2015 and 2016 under the programme was 17,016,374 shares. The buyback programme took place between 2 November 2015 and 30 June 2016. All shares purchased under the share buyback programme were cancelled. As of 31 December 2017, the Company held 129,525 treasury shares.

Contribution to Plan Assets of Pension Schemes

The cash outflows of €-0.5 billion, €-0.3 billion and €-0.2 billion in 2017, 2016 and 2015, respectively, primarily relate to a contribution to the Contractual Trust Arrangement (CTA) for allocating and generating pension plan assets in accordance with IAS 19, as well as to plan assets in the UK and to German benefit funds. Please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans".

Others

In 2017, the negative amount of € -36 million mainly resulted from the bank activities, partly compensated by the realised result from Treasury swaps and changes in consolidated financing liabilities.

In 2016, the negative amount of € -93 million mainly resulted from the bank activities, partly compensated by changes in consolidated financing liabilities and changes in securities.

2.1.6.2 Consolidated Cash and Cash Equivalents and Securities

The cash and cash equivalents and securities portfolio of Airbus is invested mainly in non-speculative financial instruments, mostly highly liquid, such as certificates of deposit, overnight deposits, commercial paper, other money market instruments and bonds. Please refer to the "Notes to the IFRS Consolidated

Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management".

Airbus has a partially automated cross-border and domestic cash pooling system in all countries with major group presence and whenever country regulations allow such practice (among others this includes mainly France, Germany, Spain, the Netherlands, the UK and the US). The cash pooling system enhances Management's ability to assess reliably and instantaneously the cash position of each subsidiary within Airbus and enables Management to allocate cash optimally within Airbus depending upon shifting short-term needs.

2.1.6.3 Consolidated Financing Liabilities

The outstanding balance of Airbus' consolidated financing liabilities increased from € 10.5 billion as of 31 December 2016 to € 11.2 billion as of 31 December 2017. The increase in bonds corresponds principally to bonds issued on 10 April 2017, for a total of US$ 1.5 billion, with a 10 year-maturity tranche of US$ 750 million at fixed coupon of 3.150%, and a 30 year-maturity tranche of US$ 750 million at a fixed coupon of 3.950%. For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 34.3: Net cash — Financing Liabilities".

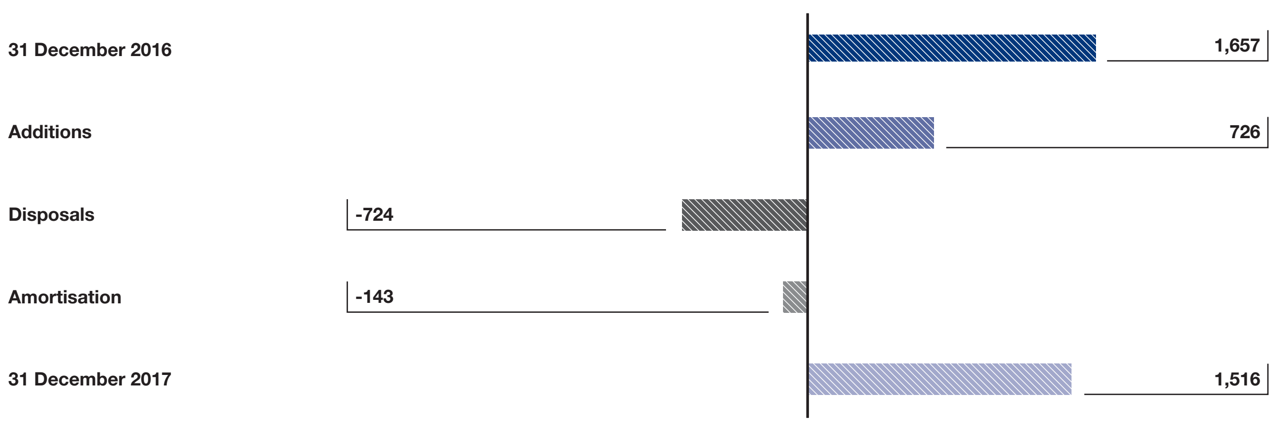
2.1.6.4 Sales Financing

Airbus favours cash sales and encourages independent financing by customers, in order to avoid retaining credit or asset risk in relation to delivered products. However, in order to support product sales, primarily at Airbus Commercial Aircraft and Airbus Helicopters, Airbus may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties.

The financial markets remain unpredictable, which may cause Airbus to increase its future outlays in connection with customer financing of commercial aircraft and helicopters, mostly through finance leases and secured loans and if deemed necessary through operating lease structures. Nevertheless, it intends to keep the amount as low as possible.

Dedicated and experienced teams structure such financing transactions and closely monitor total finance and asset value exposure of Airbus and its evolution in terms of quality, volume and intensity of cash requirements. Airbus aims to structure all financing it provides to customers in line with market-standard contractual terms so as to facilitate any subsequent sale or reduction of such exposure.

EVOLUTION OF AIRBUS COMMERCIAL AIRCRAFT GROSS EXPOSURE DURING 2017 IN US$ MILLIONS



Airbus Commercial Aircraft gross customer financing exposure as of 31 December 2017 is distributed over 52 aircraft, operated at any time by approximately 13 airlines. In addition, the level of exposure may include other aircraft-related assets, such as spare parts. More than 90% of Airbus Commercial Aircraft gross customer financing exposure is distributed over 8 countries (this excludes backstop commitments).

Over the last three years (2015 to 2017), the average number of aircraft delivered in respect of which financing support has been provided by Airbus Commercial Aircraft amounted to 1% of the average number of deliveries over the same period, *i.e.* 8 aircraft financed per year out of 680 deliveries per year on average.

Airbus Helicopters' gross customer financing exposure amounted to € 137 million as of 31 December 2017. This exposure is distributed over 63 helicopters, operated by approximately 5 companies.

For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 25: Sales Financing Transactions".

2.1.7 Hedging Activities

More than 75% of Airbus' revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. The remainder of costs is incurred primarily in euros, and to a lesser extent, in pounds sterling. Consequently, to the extent that Airbus does not use financial instruments to hedge its net current and future exchange rate exposure from the time of a customer order to the time of delivery, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies, and to a lesser extent, by market changes in the exchange rate of pound sterling against the euro.

As Airbus intends to generate profits only from its operations and not through speculation on foreign currency exchange rate movements, Airbus uses hedging strategies solely to mitigate the impact of exchange rate fluctuations on its EBIT.

The table below sets forth the notional amount of foreign exchange hedges in place as of 31 December 2017, and the average US dollar rates applicable to corresponding EBIT.

	2018	2019	2020	2021	2022+	Total
Total Hedges *(in US$bn)*	**24.5**	**25.1**	**22.4**	**13.0**	**3.7**	**88.7**
Forward Rates *(in US$)*						
€-US$	1.25	1.24	1.22	1.23	1.24	
£-US$	1.53	1.46	1.37	1.36	1.36	

For further information on Airbus' hedging strategies in response to its particular exposures as well as a description of its current hedge portfolio, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 35.1: Information about Financial Instruments — Financial Risk Management."

2.2 Financial Statements

The IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus SE for the year ended 31 December 2017, together with the related notes, appendices and independent auditors' report, shall be deemed to be incorporated in and form part of this Registration Document.

In addition, the English version of the following document shall be deemed to be incorporated by reference in and form part of this Registration Document:

- the IFRS Consolidated Financial Statements and the Company Financial Statements of Airbus Group SE for the year ended 31 December 2016, together with the related notes, appendices and Auditors' reports, as incorporated by reference in the Registration Document filed in English with, and approved by, the AFM on 4 April 2017 and filed in English with the Chamber of Commerce of The Hague.

Copies of the above-mentioned documents are available free of charge upon request in English at the registered office of the Company and on **www.airbus.com** (Investors > Annual Reports and Registration Documents).

Copies of the above-mentioned Registration Documents are also available in English on the website of the AFM on **www.afm.nl** (Professionals > Registers > Approved prospectuses). The above-mentioned financial statements are also available in English for inspection at the Chamber of Commerce of The Hague.

The Company confirms that the reports of the auditors incorporated by reference herein have been accurately reproduced and that as far as the Company is aware and is able to ascertain from the information provided by the auditors, no facts have been omitted which would render such reports inaccurate or misleading.