and empower more teams, while maintaining harmonised processes across all sites. For series programmes, additional responsibilities and means have been delegated to plants for delivery at increased rates. Airbus also has become a more integrated company, working towards one common culture across its global workforce, as well as aligning processes and planning with the global supplier base.

Market

Market Drivers

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

In recent years, China and India have emerged as significant new aircraft markets. According to internal estimates, they are expected to constitute the first and fifth most important markets by aircraft delivery value, respectively, in the next twenty years. As a result, Airbus Commercial Aircraft has sought to strengthen its commercial and industrial ties in these countries. New aircraft demand from airlines in the Middle East has also become increasingly important, as they have rapidly executed strategies to establish a global presence and to leverage the benefits the region can deliver.

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

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

More recently, the financial crisis and global economic difficulties witnessed at the end of 2008 and into 2009 resulted in only the third period of negative traffic growth during the jet age, and a cyclical downturn for airlines in terms of traffic (both passenger and cargo), yields and profitability. Preliminary figures released at the end of 2016, by the International Civil Aviation Organisation (ICAO), confirmed that some 3.7 billion passengers made use of the global air transport network for their business, tourism needs or for simply visiting friends and relatives (VFR) in 2016. The annual passenger total is up 6.0% compared to 2015 and the number of departures rose to approximately 35 million globally. World passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 6.3% with approximately 7,015 billion revenue passenger kilometres being performed.

In the long-term, Airbus Commercial Aircraft believes that air travel remains a growth business. Based on internal estimates, Airbus Commercial Aircraft anticipates a growth rate of 4.5% annually during the period 2016-2035. If the actual growth rate equals or exceeds this level, Airbus Commercial Aircraft expects that passenger traffic, as measured in revenue passenger kilometres, would more than double over the forecast period.

Cyclicality. Despite an overall growth trend in air travel, aircraft order intake can vary significantly from year to year and within different regions, due to the volatility of airline profitability, cyclicality of the economy, aircraft replacement waves and occasional unforeseen events which can depress demand for air travel. However, new product offerings and growth across the market has resulted in good levels of order activity in recent years. In the last seven years, order totals exceeded record Airbus Commercial Aircraft deliveries thus strengthening both order book and backlog totals.

Despite some cyclicality in airline demand, Airbus Commercial Aircraft aims to secure stable delivery rates from year to year, supported by a strong backlog of orders and a regionally diverse customer base. At the end of 2016, the backlog stood at 6,874 aircraft, representing around ten years of production at current rates. Through careful backlog management, close monitoring of the customer base and a prudent approach to production increases, Airbus Commercial Aircraft has successfully increased annual deliveries for 15 years running, even through the economic crisis of 2008-2009.

Regulation / Deregulation. National and international regulation (and deregulation) of international air services and major domestic air travel markets affect demand for passenger aircraft as well. In 1978, the US deregulated its domestic air transportation system, followed by Europe in 1985. The more recently negotiated “Open Skies Agreement” between the US and Europe, which became effective in 2008, allows any European or US airline to fly any route between any city in the EU and any city in the US. Other regions and countries are also progressively deregulating, particularly in Asia. This trend is expected to continue, facilitating and in some cases driving demand. In addition to providing greater market access (which may have formerly been limited), deregulation may allow for the
creation and growth of new airlines or new airline models, as has been the case with the no-frills / low-cost airline model, which has increased in importance throughout major domestic and intra-regional markets since deregulation (e.g., in the US and Europe).

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

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

Airbus Commercial Aircraft, like others in the industry, believes that route networks will continue to grow through expansion of capacity on existing routes and through the introduction of new routes, which will largely be typified by having a major hub city at least at one end of the route. These new route markets are expected to be well served by the latest product offering, the A350 XWB. In addition, the A380 has been designed primarily to meet the significant demand between the major hub cities, which are often among the world’s largest urban centres (such as London, Paris, New York and Beijing). Airbus Commercial Aircraft has identified 47 major hub cities in its current market analysis, with this number expected to grow to over 92 by 2034. Airbus Commercial Aircraft believes that it is well positioned to meet current and future market requirements given its complete family of products.

**Alliances.** The development of world airline alliances has reinforced the pattern of airline network development described above. According to data from Ascend, a UK-based aviation industry consultancy, just over one-third of the world’s jetliner seats being flown today are operated by just 14 airlines as of January 2017. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members’ hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access.

**Market Structure and Competition**

**Market segments.** According to a study conducted by Airbus Commercial Aircraft, just over 18,000 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2016. Currently, Airbus Commercial Aircraft competes in each of the three principal market segments for aircraft with more than 100 seats.

“Single-aisle” aircraft, such as the A320 family, have 100 to more than 200 seats, typically configured with two triple seats per row divided by one aisle, and are used principally for short-range and medium-range routes.

“Wide-body” aircraft, such as the A330 / A350 XWB families, have a wider fuselage with more than 210 seats, typically configured with eight seats per row and with two aisles. The A330 / A350 XWB families are capable of serving all short- to long-range markets.

“Very large aircraft”, such as the A380 family, are designed to carry more than 400 passengers, non-stop, over very long-range routes with superior comfort standards and with significant cost-per-seat benefits to airlines, although such aircraft can also be used over shorter ranges in high-density (including domestic) markets.

Freight aircraft, which form a fourth, related segment, are often converted ex-passenger aircraft. See “— Regional Aircraft, Aerostructures, Seats and Aircraft Conversion — EFW”.

Airbus Commercial Aircraft also competes in the corporate, VIP business jet market with the ACJ, an A319-based Corporate Jetliner, and the A318 Elite. As well as these, other members of the Airbus family can serve the business jet market in private, corporate shuttle and in government / VIP roles.

**Geographic differences.** The high proportion of single-aisle aircraft in use in both North America and Europe reflects the predominance of domestic short-range and medium-range flights, particularly in North America due to the development of hubs following deregulation. In comparison with North America and Europe, the Asia-Pacific region uses a greater proportion of twin-aisle aircraft, as populations tend to be more concentrated in fewer large urban centres. The tendency towards use of twin-aisle aircraft is also reinforced by the fact that many of the region’s major airports limit the number of flights, due either to environmental concerns or to infrastructure constraints that limit the ability to increase flight frequency. These constraints necessitate higher average aircraft seating capacity per flight. However, Airbus Commercial Aircraft believes that demand for single-aisle aircraft in Asia will grow over the next 20 years, particularly as domestic markets in China and India and low-cost carriers continue to develop in the region. Aircraft economics will also help to drive aircraft size, with airlines looking to reduce the cost per seat through higher density aircraft cabins and the use of larger aircraft types and variants where possible.
Competition. Airbus Commercial Aircraft has been operating in a duopoly since Lockheed’s withdrawal from the market in 1986 and Boeing’s acquisition of McDonnell Douglas in 1997. As a result, the market for passenger aircraft of more than 100 seats has been divided between Airbus Commercial Aircraft and Boeing. According to the manufacturers’ published figures for 2016, Airbus Commercial Aircraft and Boeing, respectively, accounted for 48% and 52% of total commercial aircraft deliveries, 52% and 48% of total net orders (in units), and 55% and 45% of the total year-end backlog (in units). Airbus Commercial Aircraft’s deliveries (688 in 2016) were the 14th year in a row of increased production.

Nevertheless, the high technology and high value nature of the business makes aircraft manufacturing an attractive industry in which to participate, and besides Boeing, Airbus Commercial Aircraft faces aggressive international competitors who are intent on increasing their market share. Regional jet makers Embraer and Bombardier, coming from the less than 100-seat commercial aircraft market, continue to develop larger airplanes (such as the new 100- to 149-seat C-Series launched by Bombardier). Additionally, other competitors from Russia, China and Japan will enter the 70- to 150-seat aircraft market over the next few years, and today are studying larger types.

Customers
As of 31 December 2016, Airbus Commercial Aircraft had 394 customers and a total of 17,082 Airbus aircraft had been ordered, of which 10,208 aircraft had been delivered to operators worldwide. The table below shows Airbus Commercial Aircraft’s largest commitments in terms of total gross firm orders by customer for the year 2016.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Firm orders(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Asia</td>
<td>100</td>
</tr>
<tr>
<td>Iran Air</td>
<td>98</td>
</tr>
<tr>
<td>Flynas</td>
<td>80</td>
</tr>
<tr>
<td>Go Air</td>
<td>72</td>
</tr>
<tr>
<td>Synergy Aerospace Corporation</td>
<td>62</td>
</tr>
</tbody>
</table>

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

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

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

A320 family. With more than 13,000 aircraft sold, of which 5,069 A320neo (new engine option) family, and more than 7,400 delivered (of which 68 A320neo), Airbus’ family of single-aisle aircraft, based on the A320, includes the A319 and A321 derivatives, as well as the corporate jets family (ACJ318, ACJ319, ACJ320 and ACJ321). Each aircraft in the A320 family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 family incorporates digital fly-by-wire controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also been extended to the vertical stabiliser. The A320 family’s competitor is the Boeing 737 series.

To ensure this market leader keeps its competitive edge, Airbus Commercial Aircraft continues to invest in improvements across the product line, including development of the A320neo family. The A320neo incorporates many innovations including latest generation engines, Sharklet wing-tip devices and cabin improvements, which together will deliver up to 20% in fuel savings by 2020. The A320neo received joint Type Certification from the European Aviation Safety Agency (EASA) and the Federal Aviation Administration (FAA) in November 2015. The A320neo with Pratt & Whitney engines was the first variant in the Neo family to receive Type Certification. The A320neo with CFM engines was certified in May 2016. The A321neo with Pratt & Whitney engines received Joint Type Certification in December 2016. Type Certifications for the A321neo with CFM engines and the A319neo in both engine variants will follow.

The A320neo family versions have over 95% airframe commonality with the A320ceo (current engine option) versions, enabling it to fit seamlessly into existing A320 family fleets – a key factor for Airbus Commercial Aircraft customers and operators who have taken delivery of more than 7,300 A320 family aircraft so far.
In 2016, 68 A320neo were delivered with both engine variants. This new engine option will be available for the A321 and A319 aircraft models. With 5,069 firm orders received from 92 customers since its launch in December 2010, the A320neo family has captured 58.4% of the market. In October 2015, Airbus Commercial Aircraft announced the decision to further increase the production rate of the single-aisle family to 60 aircraft a month in mid-2019, in response to strong customer demand and following thorough studies on production ramp-up readiness in the supply chain and in Airbus Commercial Aircraft’s facilities.

To enable the ramp-up, an additional production line is being built in Hamburg and will be operational in 2017. In parallel Airbus Commercial Aircraft integrated cabin furnishing activities for A320 aircraft produced in Toulouse into the final assembly line in Toulouse, thereby harmonising the production process across all A320 family production sites worldwide. The first A320 with a cabin installed in Toulouse was delivered to Volaris on 24 October 2016.

In April 2016, Airbus Commercial Aircraft delivered the first US-assembled aircraft from Mobile, Alabama, an A321, to JetBlue. In 2016, Airbus Commercial Aircraft received 790 gross orders for the A320 family of aircraft (607 net orders), and delivered 545 aircraft.

### A320 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

<table>
<thead>
<tr>
<th>Model</th>
<th>Entry-into-service</th>
<th>Passenger capacity(1)</th>
<th>Range (km)</th>
<th>Length (metres)</th>
<th>Wingspan (metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A318</td>
<td>2003</td>
<td>107</td>
<td>5,750</td>
<td>31.4</td>
<td>34.1</td>
</tr>
<tr>
<td>A319</td>
<td>1996</td>
<td>124</td>
<td>6,950(2)</td>
<td>33.8</td>
<td>35.8</td>
</tr>
<tr>
<td>A320</td>
<td>1988</td>
<td>150</td>
<td>6,100(2)</td>
<td>37.6</td>
<td>35.8(3)</td>
</tr>
<tr>
<td>A321</td>
<td>1994</td>
<td>195</td>
<td>5,950(2)</td>
<td>44.5</td>
<td>35.8(3)</td>
</tr>
<tr>
<td>A319neo</td>
<td>2016</td>
<td>140</td>
<td>6,950</td>
<td>33.8</td>
<td>35.8</td>
</tr>
<tr>
<td>A320neo</td>
<td>2016</td>
<td>165</td>
<td>6,500</td>
<td>37.6</td>
<td>35.8</td>
</tr>
<tr>
<td>A321neo</td>
<td>2016</td>
<td>206</td>
<td>7,400</td>
<td>44.5</td>
<td>35.8</td>
</tr>
</tbody>
</table>

(1) Two-class layout.
(2) Range with sharklets.
(3) Wingspan with sharklets.

### A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

The platform for developing the Neo is the 242-tonne maximum take-off weight A330 variant. This upgrade was first applied to the A330-300 with the first enhanced A330-300 variant delivered to Delta Airlines in May 2015 and subsequently for the A330-200.

Airbus Commercial Aircraft is also adapting the A330-300 to rapidly growing markets, where the aviation infrastructure is struggling to keep up with surging demand. The A330 Regional, the lower-weight variant, will carry up to 400 passengers on shorter haul missions resulting in significant cost savings. Saudi Arabian Airlines became the A330-300 Regional launch customer with an order announced in June 2015 and the first delivery in August 2016.

Airbus Commercial Aircraft is continuously developing the A330 family to keep the aircraft at the leading edge of innovations. In 2016, Airbus Commercial Aircraft received 106 gross orders (83 net) for the A330 family of aircraft including 42 for the A330neo, and delivered 66 aircraft to customers.

<table>
<thead>
<tr>
<th>Model</th>
<th>Entry-into-service</th>
<th>Passenger capacity(1)</th>
<th>Maximum range (km)</th>
<th>Length (metres)</th>
<th>Wingspan (metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A330-200</td>
<td>1998</td>
<td>247</td>
<td>13,450</td>
<td>59.0</td>
<td>60.3</td>
</tr>
<tr>
<td>A330-300</td>
<td>1994</td>
<td>277</td>
<td>11,750</td>
<td>64.0</td>
<td>60.3</td>
</tr>
</tbody>
</table>

(1) Three-class configuration.
A380. The double-deck A380 is the world’s largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, allowing passengers to benefit from wider seats, wider aisles and more floor space, tailored to the needs of each airline. Carrying 544 passengers in a comfortable four-class configuration and with a range of 8,200 nm / 15,200 km, the A380 offers superior economic performance, lower fuel consumption, less noise and reduced emissions. The A380’s competitor is the Boeing 747-8.

In 2016, Airbus Commercial Aircraft delivered 28 aircraft.

### A380 TECHNICAL FEATURES

<table>
<thead>
<tr>
<th>Model</th>
<th>Entry-into-service</th>
<th>Passenger capacity(1)</th>
<th>Maximum range (km)</th>
<th>Length (metres)</th>
<th>Wingspan (metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A380-800</td>
<td>2007</td>
<td>544</td>
<td>15,200</td>
<td>73.0</td>
<td>79.8</td>
</tr>
</tbody>
</table>

(1) Four-class layout.

Following an agreement reached between Emirates Airline and Rolls-Royce and a subsequent agreement between Emirates Airline and Airbus Commercial Aircraft, Airbus is to adapt the A380 delivery stream with six aircraft deliveries shifted from 2017 to 2018 and six others from 2018 to 2019.

Airbus Commercial Aircraft re-confirms the target to deliver around 12 A380s per year from 2018 as announced in July 2016.

Airbus Commercial Aircraft launched the iflyA380.com website enabling passengers to identify if the A380 is operated on a particular route and to book flights directly with the airlines flying A380s.

**A350 XWB family.** The A350 XWB is an all-new family of wide-body aircraft, designed to accommodate between 280 and 366 passengers. The A350 XWB features A380 technology, a wider fuselage than that of competing new generation aircraft, and a greater use of composite material. The A350 XWB’s main competitors are the Boeing 787 and 777 aircraft series.

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

Airbus Commercial Aircraft also continues to develop the A350-1000, with an entry-into-service scheduled for the second half of 2017 following the final assembly line start in February 2016 and a successful first flight in November 2016. The flight test campaign is underway.

In 2016, Airbus Commercial Aircraft received 51 gross orders for the A350 XWB family (41 net), and delivered 49 aircraft.

In October 2016, Airbus Commercial Aircraft celebrated the delivery of its 10,000th aircraft – an A350-900 for Singapore Airlines.

### A350 XWB FAMILY TECHNICAL FEATURES

<table>
<thead>
<tr>
<th>Model</th>
<th>Entry-into-service</th>
<th>Passenger capacity(1)</th>
<th>Maximum range (km)</th>
<th>Length (metres)</th>
<th>Wingspan (metres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A350-900</td>
<td>2014</td>
<td>325</td>
<td>14,350</td>
<td>66.8</td>
<td>64.7</td>
</tr>
<tr>
<td>A350-1000</td>
<td>2017</td>
<td>366</td>
<td>14,800</td>
<td>73.7</td>
<td>64.7</td>
</tr>
</tbody>
</table>

(1) Two-class layout.

### Customer Services

Customer Services’ prime role is to support its customers in operating their Airbus fleet safely and profitably and to the satisfaction of passengers all around the world. As a result of its continued growth, Airbus Commercial Aircraft’s customer base has increased consistently over the past years reaching 9,289 aircraft in-service by the end of 2016 operated by 429 customers. The fleet is maintained by more than 100 Maintenance and Repair Organisations and partially owned by 100 leasing companies.

A worldwide network of more than 5,000 people cover all areas of support from technical engineering / operational assistance and spare parts supply, to crew and maintenance training. Hundreds of technical specialists provide Airbus Commercial Aircraft customers with advice and assistance 24 hours a day, 7 days a week. There are 144 field service stations available worldwide for on-site assistance to our operators, covering 219 operators. 210 operators are covered by 18 Hubs. Our worldwide support is also based on an international network of support centres, training centres and spares’ warehouses.

Beyond the core customer support activities, Airbus Commercial Aircraft has developed a comprehensive services portfolio including a wide range of modular and customised services driven by the unique added value that an aircraft manufacturer can bring.

The services portfolio is clustered around four pillars: Maintenance & Engineering Solutions consisting of Flight Hour Services & Material Services, Training, Upgrades and Flight Operations.
A recent major step in the development of Customer Services is the creation of Navblue out of the Navtech acquisition in 2016. With its comprehensive product suite of solutions for electronic flight bags (EFBs), aeronautical charts, navigation data, performance-based navigation (PBN), flight planning, aircraft performance and crew planning, Navblue further strengthens Airbus Commercial Aircraft’s provision of end-to-end flight operations services. At the 2016 Farnborough International Airshow, the launch of two new services has been announced as well: Airline Operating Control Centre and Aeronautical Data solutions.

In addition, three new training centres have been opened in Singapore, Mexico and Sao Paulo, and the Services digital roadmap is progressing well with the launch of new e-solutions on Predictive Maintenance notably.

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

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

In 2016, Airbus Commercial Aircraft continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities, supported by plentiful liquidity. Despite a temporary suspension of Export Credit Agency support, Airbus Commercial Aircraft customer financing exposure remained limited in 2016. Airbus Commercial Aircraft will continue to provide direct aircraft financing support as it deems necessary. Management believes, in light of its experience, that the level of provisioning protecting Airbus Commercial Aircraft from default costs is adequate and consistent with standards and practice in the aircraft financing industry. See “— Risk Factors – Financial Market Risks – Sales Financing Arrangements”.

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

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

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

At the end of 2016, the Asset Management portfolio contained 37 aircraft, representing a 22% net portfolio reduction from 2015.

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

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

Following production by the respective plants, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means,