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

H225 programme and AS332 L2 fleet. In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway (LN-OJF accident), the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations. Publication of the final AIBN report in July 2018 confirmed the work on incremental improvements on the H225 as part of its ongoing, continuous improvement. The contributing factors of the LN-OJF accident have been identified, and the sequence of events has been understood and reproduced during recent testing. Airbus Helicopters continues to drive improvements across its product range as part of its commitment to raise safety standards and increase the robustness and reliability of dynamic components. The new challenge of the programme is to secure the industrial ramp-up in order to fulfil 2020 and 2021 deliveries.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: today, the VIP and Public Services configurations are in delivery mode, the Company is now working on the maturity plan of the aircraft with the associated customer support. Exchanges took place in 2019 with key H175 customers to review the proposed maturity plan, share and challenge the identified solutions and prepare the deployment plan.

NH90 and Tiger programmes. In connection with the NH90 programme, the Company is working to mitigate possible impact on the 2020-2021 deliveries of the interruption of the Titanium supply due to the export license withdrawn by the Russian export authorities. In connection with multiple fleets entering into service, the NH90 programme faces the challenge of ensuring support readiness while working on the deliveries of new contracts signed in 2018 and 2019. As for the Tiger programme, the last serial aircraft will be delivered Q1 2020. The Company is working on the conversion from HAP to HAD.

H160 programme. In connection with the H160 programme, the Company is completing the last paperwork activities to get the EASA Type Certification and then the FAA validation. The following challenges include the delivery of the first helicopter for an EIS by year-end 2020, together with a mature support environment (tech pub, tools, training). Another challenge is to manage the industrial ramp-up of the supply chain.

Border security. In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers. Negotiations on change requests and schedule re-alignments remain ongoing. Due to the repeatedly prolonged suspension of defence export licenses to Saudi Arabia by the German Government, and the consequential inability of the Company to execute a customer contract, a revised Estimate at Completion (EAC) was performed. As a result a €221 million impairment charge mainly on inventories on top of a €112 million financial expense related to hedge ineffectiveness, have been recognised as of 30 September 2019. The Company is engaging with its customer to agree a way forward on this contract. The outcome of these negotiations is presently unclear but could result in significant further financial impacts.

3. Legal Risks

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings.

For example, the WTO litigation, which is described in “— Risk Factors – Business-Related Risks – Availability of Government and other Sources of Financing”, is ongoing. The United States Trade Representative (“USTR”) imposed tariffs on a range of imports to the US from the European Union, including 10% on the importation of large civil aircraft from the European Union. Those tariffs went into effect on 18 October 2018. On 14 February 2020, the USTR announced the US is increasing the additional duty rate imposed on aircraft imported from the EU to 15% from 10%, effective 18 March 2020. The duration of the tariffs (and any change to the amount thereof) will depend on the USTR, and could have a material impact on the Financial Statements, business and operations of the Company. At this stage it is too early to determine the full extent of any financial impact on the Company. For more information on the WTO litigation and trade dispute, see “— Information on the Company’s Activities — 1.7 Legal and Arbitration Proceedings — WTO”.

The Company expects to continue to spend time and incur expenses associated with its defence of legal and regulatory proceedings, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the Company’s business, results of operations and financial condition. An unfavourable ruling could also negatively impact the Company’s stock price and reputation.
In addition, the Company is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company’s reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, results of operations and financial condition. See “— Non-Financial Information — Responsible Business — 1.2.3(a) Ethical Business Practices”.

Anti-Corruption Laws and Regulations

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

The Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company’s reputation and its business, results of operations and financial condition.

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export control requirements, notably by the UK, France, Germany and Spain, where the Company carries out its principal activities relating to military products and services as well as by other countries where suppliers are based, notably, the US. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company’s products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company’s ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on the Company’s business, results of operations and financial condition.

For the investigation by the UK Serious Fraud Office (“SFO”), France’s Parquet National Financier (“PNF”), and the US Departments of State (“DoS”) and Justice (“DoJ”), which is described in “— Risk Factors — Legal Risks — Anti-Corruption Laws and Regulations”, the Company has reached an agreement with the authorities, which was approved by the French and UK courts and US court and regulator on 31 January 2020. The agreement resulted in a fine totalling €3.6 billion plus costs to the French, UK, and US authorities. For more information about the investigation, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims” (Investigation by the UK SFO, France’s PNF, and US Departments of State and Justice and Related Commercial Litigation).

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the SFO announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of the Company, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the PNF, had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. The Company engaged with the government of the US (DoS and DoJ) relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company also engaged with the government of the US concerning potential issues of ITAR Part 130 and related matters. On 31 January 2020, the French and UK courts and US court and regulator approved an agreement reached by the Company with the authorities. See “— Information on the Company’s Activities — 1.1.7 Legal and Arbitration Proceedings”.

Operating worldwide, the Company must comply with several, sometimes inconsistent, sets of sanctions laws and regulations implemented by national / regional authorities. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions regimes may be set up or the scope of existing ones may be widened, at any time, immediately impacting the Company’s activities.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in suspension of the Company’s export privileges, or preclude the Company from bidding on certain government contracts (even in the absence of a formal suspension or debarment).

Furthermore, the Company’s ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.