Airbus SE (the “Company”) is a European public company (Societas Europaea), with its seat in Amsterdam, The Netherlands, which is listed in France, Germany and Spain. The applicable regulations with respect to public information and protection of investors, as well as the commitments made by the Company to securities and market authorities, are described in this Registration Document (the “Registration Document”).

In 2017, there were no changes to the segment reporting. Nevertheless as a result of the relabelling to a single Airbus brand, the Company together with its subsidiaries is referred to as “Airbus” and no longer the Group. Consequently, the segment formerly known as Airbus is referred to as “Airbus Commercial Aircraft” for the purpose of 2017 financial reporting. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.2 Reportable Business Segments”.

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

This Registration Document was prepared in accordance with Annex 1 of EC Regulation No. 809 / 2004, filed in English with, and approved by, the Autoriteit Financiële Markten (the “AFM”) on 28 March 2018 in its capacity as competent authority under the Wet op het financieel toezicht (as amended) pursuant to Directive 2003 / 71 / EC. This Registration Document may be used in support of a financial transaction as a document forming part of a prospectus in accordance with Directive 2003 / 71 / EC only if it is supplemented by a securities note and a summary approved by the AFM.
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Risk Factors

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

1. Financial Market Risks

Global Economic Concerns

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

On 29 March 2017, the UK triggered article 50 of the Lisbon Treaty, the mechanism to leave the European Union (“Brexit”), before having achieved a roadmap for the complex negotiations. Although the terms of the UK’s post-Brexit relationship with the EU are still unknown, the Company may be affected by potentially divergent national laws and regulations between the EU and the UK. This may include greater restrictions on the importing and exporting of goods and services between the UK and EU countries in which the Company operates along with costly new tariffs and increased regulatory and legal complexities. The free movement of people and skilled labour may also be limited by new border controls.

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

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

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

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

The Company’s financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company’s financial instruments differing significantly from the fair values currently assigned to them.
In the Commercial Aircraft activities, revision clauses in sales contracts and in supplier contracts can be based on different indexes and therefore can evolve differently.

**Foreign Currency Exposure**

Airbus is exposed to certain price risks such as foreign exchange rate as well as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise Airbus’ profitability if not hedged. Airbus intends to generate profits only from its operations and not through speculation on the development of such prices. Airbus uses hedging strategies to manage and minimise the impact of such price fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

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

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company’s foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company’s US dollar-denominated revenues that is not hedged in accordance with the Company’s hedging strategy will be exposed to fluctuations in exchange rates, which may be significant.

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

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

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

**Sales Financing Arrangements**

In support of sales, the Company may agree to participate in the financing of selected customers. As a result, the Company has a portfolio of leases and other financing arrangements with airlines and other customers. The risks arising from the Company’s sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer’s ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft.

Measures taken by the Company to mitigate these risks include optimised financing and legal structures, diversification over a number of aircraft and customers, credit analysis of financing counterparties, provisioning for the credit and asset value exposure, and transfers of exposure to third parties. No assurances may be given that these measures will protect the Company from defaults by its customers or significant decreases in the value of the financed aircraft in the resale market.

The Company’s sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers’ performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, etc.). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such

*Unless otherwise indicated, EBIT figures presented in this report are Earning before Interest and Taxes. It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.*
amounts are usually capped. The Company regularly reviews its exposure to asset values and adapts its provisioning policy in accordance with market findings and its own experience. However, no assurance can be given that the provisions taken by the Company will be sufficient to cover these potential shortfalls. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

Due to the suspension of Export Credit Agency financing, there is a risk that additional customer financing will need to be provided, which could increase the customer financing exposure. See “— Legal Risks” and “— Information on Airbus Activities — Section 1.1.7 Legal and Arbitration Proceedings”.

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

**Counterparty Credit**

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments and cash investments. However, Airbus has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

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

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

Moreover, the progressive implementation of new financial regulations (MiFID II / MiFIR, CRD4, Bank Restructuring Resolution Directive, etc.) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks’ activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company.

This may ultimately increase the cost and reduce the liquidity of the Company’s long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.
Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. For information related to these plans, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 29.1: Post-employment Benefits — Provisions for Retirement Plans”. Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company’s total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

Tax Exposure

As a multinational group with operations and sales in various jurisdictions, Airbus is subject to a number of different tax laws. It is the Company’s objective to adhere to the relevant tax regulations and to ensure tax compliance in each country.

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

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

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

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

Commercial Aircraft Market Factors

Historically, order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product ("GDP") growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of outside financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes. The market for commercial aircraft could continue to be cyclical, and downturns in broad economic trends may have a negative effect on its financial condition and results of operations.

The commercial helicopter market could also be influenced by a number of factors listed above. The civil & parapublic and oil & gas market softness has led to a postponement of investments in the acquisition of new platforms by offshore helicopter players and a reduction of flight hours. Structural changes of the oil & gas segment are not anticipated at current oil price levels. The uncertainty on the lead time of the market recovery may have an impact on Airbus Helicopters financial results and could lead to cancellations or loss of bookings and services.

Physical Security, Terrorism, Pandemics and Other Catastrophic Events

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

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

Cyber Security Risks

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

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

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

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

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

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

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Dependence on Key Suppliers and Subcontractors

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

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

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

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

Changes to the Company’s production or development schedules may impact suppliers so that they initiate claims under their respective contracts for financial compensation. However the robust, long-term nature of the contracts and a structured process to manage such claims, limits the Company’s exposure. Despite these mitigation measures, this could still result in a negative impact on the financial condition and results of operations of the Company.

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

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

Industrial Ramp-Up

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

Management of such factors is also complicated by the development of new aircraft programmes in parallel, across Airbus and the two Divisions, which carry their own resource demands. Therefore, failures relating to any or all of these factors could lead to missed or delayed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs. Management of such claims, protecting the Company’s commitments towards its customers. In certain cases, dual sourcing is utilised to mitigate the risk.

Certain of Airbus’ contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance — in particular with respect to new development programmes such as the A350-900 and -1000 XWB, A400M, H175 or H160 and to modernisation programmes such as the A320neo and the A330neo. See “— Programme-Specific Risks” below.
In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — 2.1.1.3 Significant programme developments, restructuring and related financial consequences in 2015, 2016 and 2017”. Moreover, to the extent that a performance issue is considered to have a possible impact on safety, regulators could suspend the authorisation for the affected product or service.

Any significant problems with the development, manufacturing, operation or performance of the Company’s products and services could have a significant adverse effect on the Company’s financial condition and results of operations as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company’s financial condition and results of operations. In instances where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

The Company has a geographically diverse backlog. Adverse economic and political conditions as well as downturns in broad economic trends in certain countries or regions may have a negative effect on the Company’s financial condition and results of operations generated in those regions.

Availability of Government and Other Sources of Financing

Since 1992, the EU and the US have operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US sought to unilaterally withdraw from this agreement, which eventually led to the US and the EU making formal claims against each other before the World Trade Organization (“WTO”). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues. The terms and conditions of any new agreement, or the final outcome of the formal WTO proceedings, may limit access by the Company to risk-sharing-funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the European Commission and the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

In prior years, the Company and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, the Company’s credit ratings, as well as the possibility that lenders or investors could develop a negative perception of the Company’s long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. The Company may therefore not be able to successfully obtain additional outside financing on appropriate terms, or at all, which may limit the Company’s future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and Market Access

The markets in which the Company operates are highly competitive. In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities or better access to funding than the Company. In addition, some of the Company’s largest customers and/or suppliers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers/suppliers marketing their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company’s revenues. Further, new players are operating or seeking to operate in the Company’s existing markets which may impact the structure and profitability of these markets. In addition, enterprises with different business models could substitute some of the Company’s products and services. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues, market share or profit.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although the Company is a multinational company which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.
Major Research and Development Programmes

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

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

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

Digital Transformation, Continuous Improvement and Competitiveness Programmes

In order to improve current operational performance while preparing for the future, in 2017 the Company launched the integration of its headquarters and corporate functions with the largest Division, Airbus Commercial Aircraft, and has initiated a wide-reaching digital transformation programme, Quantum. In parallel, continuous improvement and competitiveness programmes running in all businesses are pursued.

Digital transformation

The Quantum transformation programme was launched to accelerate transformation of end to end operations and to define our future set-up (operations, new services, new business model) driven by customer requirements. In the short to mid-term Quantum will focus on accelerating and industrialising the most promising digitally-enabled performance improvement initiatives permitting a step change. In the longer term, Quantum will redesign end to end digital operations and enable new profitable business model and services for our customers. Quantum is supported by the Digital Transformation Office (DTO) and CTO organisations.

Traditional cost-saving and competitiveness programmes

To improve competitiveness in soft markets, offset costs and achieve profitability targets, among other things, the Company and its Divisions have launched several restructuring, cost saving and competitiveness programmes over the past several years. These include Boost Competitiveness in Commercial Aircraft, Adapt in Helicopters and Compete in Defence and Space.

In addition to the risk of not achieving the anticipated level of cost savings, efficiency gains and other benefits from these programmes, the Company may also incur higher than expected implementation costs. In many instances, there may be internal resistance to the various organisational restructuring and cost reduction measures contemplated. Restructuring, closures, site divestitures and job reductions may also harm the Company’s labour relations and public relations, and have led and could lead to work stoppages and/or demonstrations. In the event that these work stoppages and/or demonstrations become prolonged, or the costs of implementing the programmes above are otherwise higher than anticipated, the Company’s financial condition and results of operations may be negatively affected.

Acquisitions, Divestments, Joint Ventures and Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and/or form joint ventures or strategic alliances. Executing acquisitions and divestments can be difficult and costly due to the complexities inherent in integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company intends to acquire or divest can be integrated or carved out successfully, as timely as originally planned or that they will perform well and deliver the expected synergies or cost savings once integrated or separated. In addition, despite the efforts and expenditures of the parties, regulatory, administrative or other contractual conditions can prevent transactions from being finalised. While the Company believes that it has committed sufficient resources and established appropriate and adequate procedures and processes necessary to mitigate these risks, there is no assurance that these transactions will be successfully completed or produce the expected benefits.
Public-Private Partnerships and Private Finance Initiatives

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

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

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

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

Programme-Specific Risks

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

**A320neo programme.** In connection with the A320neo programme, the Company faces the following main challenges: the transition from A320ceo (current engine option) to A320neo (new engine option) that began in 2016 continued with 181 deliveries in 2017; management of the internal and external supply chain pressure as a result of the industrial ramp-up; ensuring maturity and high quality service support for a growing number of operators of A320neo. The main focus will be with the further ramp-up for Airbus and both engine suppliers. For both engine suppliers, challenges are to (i) meet the delivery commitments in line with agreed schedule and ensure sufficient engine availability; (ii) fix in-service maturity issues in line with Airbus and customer expectations and mitigate the associated consequences.

**A400M programme.** In 2017, Airbus continued with development activities toward achieving the technical capabilities. In addition, Airbus entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 5 February 2018 agreeing on a global re-baselining of the contract, including a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule. The DOI represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. For more information on the DOI, see "— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Significant Programme Developments, Restructuring and Related Financial Consequences in 2015, 2016 and 2017 — 2.1.1.3".

Challenges remain on development of contractual technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions. The key capabilities to be achieved remain cargo management and aerial delivery, self-defence and protection, and air to air refuelling. In addition, the A400M programme continues to face challenges in the management of the retrofit campaign as well as providing support to enable high levels of in-service availability.

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

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

**A380 programme.** In connection with the A380 programme, the Company faces the following main challenges: secure future order flow; ramp down the yearly production rate towards deliveries in 2019 and further reduce fixed costs to the new delivery level; make continued improvements to lower the resources and costs associated with designing each customised Head of Version aircraft for customers; and manage maturity in service.

**A330 programme.** In connection with the A330 programme, the main challenge the Company faces is to manage the transition to A330neo. The A330neo development progresses after first flight took place in 2017 with attention on the engine development.

**H225 programme and AS332 L2 fleet.** In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway, the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations; providing assistance to the investigation team and the authorities ahead of the publication of the
final accident report; working with the relevant stakeholders to allow the return to service of aircraft, following-up with retrofits and dealing with customer claims.

**H175 programme.** In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: after the delivery of the first H175 in VIP configuration in 2016, the Company is working on the certification of the Public Services variant and the delivery of the 3 first H175 in Public Services configuration planned for 2018, as well as on the maturity plan of the aircraft and with the associated industrial ramp-up.

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

**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.
3. Legal Risks

Dependence on Joint Ventures and Minority Holdings

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

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

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

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

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

Product Liability and Warranty Claims

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company is subject to the risk of product liability and warranty claims in the event that any of its products fails to perform as designed. While the Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

Intellectual Property

The Company relies upon patents, copyright, trademark, confidentiality and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its intellectual property (IP) rights in its products and services and in its operations. Despite these efforts to protect its IP rights, any of the Company’s direct or indirect IP rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect the Company’s proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions the Company may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position.

In addition, although the Company believes that it lawfully complies with the monopolies inherent in the IP rights granted to others, it has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, result in financial penalties or prevent it from offering certain products or services which may be subject to such third-party IP rights. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, harm the Company’s reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further losses.

Export Controls Laws and Regulations

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

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

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

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

Anti-Corruption Laws and Regulations

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

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK Serious Fraud Office announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of Airbus, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the Parquet National Financier (“PNF”), had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. See “— Information on Airbus Activities — 1.1.7 Legal and Arbitration Proceedings”.

The Company cannot predict at this time the impact on it as a result of these matters, and accordingly cannot give any assurance that it will not be adversely affected. In addition to the temporary suspension of export credit financing, the Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company’s reputation and its business, financial condition and results of operations.

Legal and Regulatory Proceedings

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

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

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

If the Company fails to comply with health, safety and environmental laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some health, safety and environmental laws can be imposed retrospectively, on a joint and several basis, and, in relation to contaminated sites, without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company’s financial condition and results of operations.

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

Despite compliance with all applicable laws and regulations, the Company’s reputation may also be affected by the public perception of the contributions of its operations and activities on society.
1. Information on Airbus Activities

1.1 Presentation of the Company

1.1.1 Overview

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

With consolidated revenues of €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.

Strategy

In 2017, the Company has further pushed forward its restructuring, in accordance with the strategy introduced in 2013 and summed up in the statement “we make it fly”.

The Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus. The merger of Airbus Group and Airbus paves the way for an overhaul of the corporate set-up, simplifies the Company’s governance, eliminates redundancies and supports further efficiencies, while at the same time driving further integration of the entire group. The Company changed its name to Airbus SE. The two Divisions, “Defence and Space” and “Helicopters” remain integral parts of the Company and will derive considerable benefit from the merger through more focused business support and reduced costs.

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

Airbus Helicopters also reshaped its portfolio and divested its Vector Aerospace business.

The eight strategic paths of the Company’s strategy remain as follows:

1. **Remain a leader in commercial aerospace, strengthen market position and profitability**
   The commercial aircraft business aims to be largely self-sufficient going forward, rather than attempting to rely on a balanced group portfolio. Focus upon on-time, on-cost and on-quality deliveries is paramount given the huge backlog execution challenge. Airbus aims to further strengthen through focusing on digitalisation, innovation, services and a more global approach.

2. **Preserve leading position in European defence, space and government markets by focusing on military aircraft, missiles, space and related services**
   Defence can no longer be a tool to manage and hedge against commercial cycles, but the Company seeks to remain strong and actively shape its defence, space and governmental business. The focus will involve (i) developing high-performing businesses such as missiles, launchers, combat and transport aircraft, entering into new growth areas when they are backed by government funding, and (ii) focusing on productivity improvements both through internal means and in the context of European optimisation to enable efficiencies and improve Airbus’ positioning on export markets.

   In 2017, Airbus Aerial, a new drone service business, was launched. The new company, based in the US, leverages some of Airbus Defence and Space key competencies (satellite imagery, data analytics, small & high-altitude UAV and cloud computing) to analyse and distribute powerful, actionable data to customers.

   Airbus is working with its customers to define and address the future of European air combat, in addition to future air power more broadly.
3. Pursue incremental innovation potential within product programmes while pioneering and fostering disruptions in our industry, and developing necessary skills and competencies required to compete in the future

Airbus innovates every day to increase its value propositions by enhancing product performance, creating new customer benefits, and reducing costs. Our cutting-edge technologies and scientific excellence contribute to global progress, and to delivering solutions for society’s challenges, such as environmental protection, mobility and safety.

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

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

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

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

Airbus has initiated a wide-reaching digital transformation programme called Quantum. Quantum is the programme that drives Airbus’ digital transformation. Scaling up and accelerating proven digital initiatives, to deliver breakthroughs in end-to-end operational performance and customer satisfaction across our business; it is also about accelerating innovation and growth through both new services and business models. Quantum is fundamental to Airbus success, now and into the future.

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

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

With over 75% of our backlog and 70% of our revenues coming from outside Europe, Airbus is, more than ever, a global company. The constant effort to globalise our businesses, especially in countries with substantial growth, has paid off. This global footprint is also reflected in the diversity of our staff and skills. Locally, products may need to be adapted and will have to be serviced, but the main logic going forward is that the industry will retain its “global products for local markets” dynamic. Greenfield approaches have proven to give Airbus a controlled entry and real citizenship, whilst partnerships and acquisitions are complementary tools.

6. Focus services on and around the Company’s platforms

The strategy going forward is to focus on services where Airbus can differentiate and add value for its customers according to the motto “no one knows our products better than we”, aiming at developing long-term customer intimacy and bringing competitive advantage to its customers. As services are executed locally, the portfolio will be adapted to the increasingly global customer base. Cooperation with military customers is set to increase substantially through maintenance and support services thanks to the new platforms in the still growing fleet, which will include about 600 Eurofighters, over 150 A400M aircraft, around 500 NH90s and over 150 Tiger helicopters. In Commercial Aircraft, the installed base is expanding rapidly, and new innovative services (power by the hour, maintenance, training) are being offered successfully.

7. Strengthen the value chain position

Airbus’ core capability is to master programme management and architect / integrate capabilities in order to market, design, develop, manufacture and service large-scale aeronautics / space platforms and integrated systems. As Airbus is based on a strong platform prime role, managing the supplier base towards delivering to the final customer is key. We aim to strengthen and optimise selected strategic value chain areas to protect our intellectual property, manage risks, increase profit, access services and differentiate our offerings. Airbus’ suppliers provide a large proportion of the value in our products, necessitating a robust supply-chain governance framework. This is supported by processes and tools that foster partnership, risk mitigation and supplier performance development.

In order to secure our value chain position and maintain a competitive advantage, Airbus re-assesses its make or buy strategy and M&A strategy to better control its strategic know how and capture more of the value chain. Airbus launched Nacelle In-Sourcing for A320 UTAS nacelles in order to build competence in Ultra-high Bypass Ratio engine integration, where the integration itself will provide a significant part of future performance gain.

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

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

In 2017, the Company organised its businesses into the following three operating segments: (i) Commercial Aircraft, (ii) Helicopters and (iii) Defence and Space. However, as a continuation of a number of integration and normalisation steps that took place in 2012, 2013 and 2015, the Company is now merging its Group structure with its largest division Commercial Aircraft. The merger began mid-2017 and provided the opportunity to introduce a single Airbus brand for the Company and all its entities, effective since January 2017. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries is referred to as “Airbus” and no longer the “Group”, and the segment formerly known as Airbus is referred to as “Airbus Commercial Aircraft”. In this new set-up, Airbus retains Airbus Defence and Space and Airbus Helicopters as Divisions. The chart set out in “— General Description of the Company and its Share Capital — 3.3.6 Simplified Group Structure Chart” illustrates the allocation of activities.

Commercial Aircraft

Airbus Commercial Aircraft is one of the world’s leading aircraft manufacturers of passenger airliners, ranging in capacity from 100 to more than 600 seats. Across all its aircraft families Airbus Commercial Aircraft’s unique approach ensures that aircraft share the highest commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines.

Since it was founded in 1970 and up to the end of 2017, Airbus Commercial Aircraft has received orders for 18,191 commercial aircraft from 399 customers around the world. In 2017, Airbus Commercial Aircraft delivered 718 aircraft (compared to 688 deliveries in 2016) and received 1,229 gross orders (compared to 949 gross orders in 2016), or 50% of the gross worldwide market share (in value terms) of aircraft with more than 100 seats (compared to 54% in 2016). After accounting for cancellations, net order intake for 2017 was 1,109 aircraft (compared to 731 aircraft in 2016). As of 31 December 2017, Airbus Commercial Aircraft’s backlog of commercial orders was 7,265 aircraft (compared to 6,874 aircraft in 2016).

In 2017, Airbus Commercial Aircraft recorded total revenues of €50.96 billion – representing 75% of Airbus’ revenues. See “— 1.1.2 Commercial Aircraft”.

Helicopters

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

Airbus Helicopters delivered 409 helicopters in 2017 (418 in 2016) and received 335 net orders in 2017 (compared to 353 net orders in 2016). Order intake amounted to €6.54 billion (2016: €6.06 billion). Civil contracts accounted for 49% of this order volume, with military sales representing the remaining 51%. At the end of 2017, Airbus Helicopters order book stood at 692 helicopters (2016: 766 helicopters).

In 2017, Airbus Helicopters recorded total revenues of €6.45 billion, representing 9% of Airbus’ revenues. See “— 1.1.3 Helicopters”.

Defence and Space

Airbus Defence and Space is Europe’s number one defence and space enterprise, the second largest space business worldwide and among the top ten global defence enterprises. Defence and Space puts a strong focus on core businesses: space, military aircraft, missiles and related systems and services.

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

In 2017, Airbus Defence and Space recorded total revenues of €10.8 billion, representing 16% of Airbus’ revenues. See “— 1.1.4 Defence and Space”.

Summary Financial and Operating Data

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

| CONSOLIDATED REVENUES BY DIVISION FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015 |
|---------------------------------------------------|------|------|------|
| (in €m)                                           | Year ended | Year ended | Year ended |
|                                                   | 31 December 2017 | 31 December 2016 | 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)                     | (1,445)     | (1,162)     | (1,270)     |
| Total                                             | 66,767      | 66,581      | 64,450      |
(1) “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.

CONSOLIDATED REVENUES BY GEOGRAPHICAL AREA FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
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<tbody>
<tr>
<td></td>
<td>Amount in €bn</td>
<td>In percentage(1)</td>
</tr>
<tr>
<td>Europe</td>
<td>17.0</td>
<td>25.4%</td>
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<tr>
<td>North America</td>
<td>12.6</td>
<td>18.9%</td>
</tr>
<tr>
<td>Asia / Pacific</td>
<td>24.8</td>
<td>37.2%</td>
</tr>
<tr>
<td>Rest of the World(2)</td>
<td>12.4</td>
<td>18.5%</td>
</tr>
<tr>
<td>Total</td>
<td>66.8</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) Percentage of total revenues after eliminations.
(2) Including the Middle East.

CONSOLIDATED ORDERS BOOKED FOR THE YEARS ENDED 31 DECEMBER 2017, 2016 AND 2015

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<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
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<td></td>
<td>Amount in €bn</td>
<td>In percentage(1)</td>
</tr>
<tr>
<td>Airbus Commercial Aircraft(3)</td>
<td>143.4</td>
<td>90.3%</td>
</tr>
<tr>
<td>Airbus Helicopters</td>
<td>6.5</td>
<td>4.1%</td>
</tr>
<tr>
<td>Airbus Defence and Space</td>
<td>8.9</td>
<td>5.6%</td>
</tr>
<tr>
<td>Total Divisional orders</td>
<td>158.8</td>
<td>100%</td>
</tr>
</tbody>
</table>

Orders booked(2)

|                        | Amount in €bn | In percentage(1) | Amount in €bn | In percentage(1) | Amount in €bn | In percentage(1) |
| Other / HQ / Consolidation | (1.1)          |                 | (1.9)          |                 | (0.7)          |                 |
| Total                  | 157.7          |                 | 134.5          |                 | 159.0          |                 |

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

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

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount in €bn</td>
<td>In percentage(2)</td>
</tr>
<tr>
<td>Airbus Commercial Aircraft(3)</td>
<td>950.4</td>
<td>95.1%</td>
</tr>
<tr>
<td>Airbus Helicopters</td>
<td>11.2</td>
<td>1.1%</td>
</tr>
<tr>
<td>Airbus Defence and Space</td>
<td>37.4</td>
<td>3.8%</td>
</tr>
<tr>
<td>Total Divisional backlog</td>
<td>999.0</td>
<td>100%</td>
</tr>
</tbody>
</table>

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.

Relationship between Airbus SE and Airbus

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

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

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

### 1.1.2 Commercial Aircraft

Airbus Commercial Aircraft is one of the world’s leading aircraft manufacturers of passenger airliners. Airbus Commercial Aircraft helps to shape the future of air transportation and drive steady growth around the world. Airbus Commercial Aircraft seeks incremental innovative technological solutions and the most efficient sourcing and manufacturing possible – so airlines can grow and people can connect. Airbus Commercial Aircraft’s comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 600 seats: the single-aisle A320 Family, which is civil aviation’s best-selling product line; the A330 Family; the new-generation widebody A350 XWB; and the flagship double-deck A380. Across all its aircraft families Airbus Commercial Aircraft’s unique approach ensures that aircraft share high commonality in airframes, on-board systems, cockpits and handling characteristics. This significantly reduces operating costs for airlines. See “— 1.1.1 Overview” for an introduction to Airbus Commercial Aircraft.

Airbus Commercial Aircraft’s global presence includes, on top of France, Germany, Spain and the United Kingdom, fully-owned subsidiaries in the United States, China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. Airbus Commercial Aircraft also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also 15 hubs and 143 field service stations around the world. Airbus Commercial Aircraft also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers around the world.

### Strategy

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

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

Airbus Commercial Aircraft continuously seeks to develop and deliver new products to meet customers’ evolving needs, while also improving its existing product line. The A330neo (new engine option) is one of the evolutions to the A330 Family and the A320neo (new engine option) is one of many product upgrades to the A320 Single-Aisle Family to maintain its position as the most advanced and fuel-efficient single-aisle aircraft family.

Airbus Commercial Aircraft is also currently pursuing (i) development and production on the A350 XWB programme, and (ii) research on the development of new aircraft in the short-range, medium-range and long-haul segments.

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

**Expanding Its Customer Services Offering**

Airbus Commercial Aircraft seeks to remain at the forefront of the industry by expanding its customer services offering to meet customers’ evolving needs. As a result, Airbus Commercial Aircraft has developed a wide range of value-added and customised services which customers can select based on their own make or buy policy and needs. This approach provides Airbus operators with solutions to significantly reduce their operating costs, increase aircraft availability and enhance the quality of their operations.

**Building a Leaner, More Fully Integrated Company**

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

### Market

**Market Drivers**

The main factors affecting the commercial aircraft market include passenger demand for air travel, cargo activity, economic growth cycles, oil prices, national and international regulation (and deregulation), the rate of replacement and obsolescence of existing fleets and the availability of aircraft financing sources. The performance, competitive posture and strategy of aircraft manufacturers, airlines, cargo operators and leasing companies as well as wars, political unrest, pandemics and extraordinary events may also precipitate changes in demand and lead to short-term market imbalances.
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 third 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 travel increased in every year from 1967 to 2000, except for 1991 due to the Gulf War, resulting in an average annual growth rate of 7.9% for the period. Demand for air transportation also proved resilient in the years following 2001, when successive shocks, including 9/11 and SARS in Asia, dampened demand. Nevertheless, the market quickly recovered.

At the end of 2008 and in 2009, the financial crisis and global economic difficulties witnessed resulted in only the third period of negative traffic growth during the jet age, and a cyclical downturn for airlines in terms of traffic (both passenger and cargo), yields and profitability. More recently, air travel demand growth has gained solid momentum, supported by the ongoing improvement in global economic conditions throughout the year. World real GDP growth is projected to be at 2.7% in 2017, an acceleration from the 2.4% in 2016, and is expected to further strengthen to 2.9% in 2018. The upward trend was driven by the strengthening investment in advanced economies as well as the recovery in emerging market and developing economies owing to the increased export demand. The lower air fares owing to the low fuel price also continued to stimulate traffic growth, albeit at a more moderate level compared to 2016.

Preliminary figures released at the end of 2017, by the International Civil Aviation Organisation (ICAO), confirmed that some 4.1 billion passengers made use of the global air transport network for their business, tourism needs or for simply visiting friends and relatives (VFR) in 2017. The annual passenger total is up 7.1% compared to 2016 and the number of departures rose to approximately 37 million globally. World passenger traffic, expressed in terms of total scheduled revenue passenger-kilometres (RPKs), posted an increase of 7.6% with approximately 7.7 trillion revenue passenger kilometres performed.

In the long-term, Airbus Commercial Aircraft expects that passenger traffic, as measured in revenue passenger kilometres, would more than double over the forecast period.

**Cyclical**. 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 2017, the backlog stood at 7,265 aircraft, representing around nine 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).

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

The chosen system of route networks in turn affects aircraft demand, as hubs permit fleet standardisation around both smaller aircraft types for the short, high frequency and lower density routes that feed the hubs (between hubs and spokes) and larger aircraft types for the longer and higher density routes between hubs (hub-to-hub), themselves large point-to-point markets. As deregulation has led airlines to diversify their route network strategies, it has at the same time therefore encouraged the development of a wider range of aircraft in order to implement such strategies (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 58 major hub cities in its
current market analysis, with this number expected to grow to over 95 by 2036. 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, one-third of the world’s jetliner seats being flown today are operated by just 15 airlines. In the 1990s, the major airlines began to enter into alliances that gave each alliance member access to the other alliance members’ hubs and routings, allowing airlines to concentrate their hub investments while extending their product offering and market access.

**Market Structure and Competition**

**Market segments.** According to a study conducted by Airbus Commercial Aircraft, nearly 19,000 passenger aircraft with more than 100 seats were in service with airlines worldwide at the beginning of 2017. 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, Aeronautics, Seats and Aircraft Conversion — EPW”.

Airbus Commercial Aircraft also competes in the corporate, VIP business jet market with the ACJ.

**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 2017, Airbus Commercial Aircraft and Boeing, respectively, accounted for 48% and 52% of total commercial aircraft deliveries, 55% and 45% of total net orders (in units), and 55% and 45% of the total year-end backlog (in units). Airbus Commercial Aircraft’s deliveries (718 in 2017) were the 15th 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 E190-E2 program launched by Embraer). Additionally, other competitors from Russia, China and Japan will enter the 70- to 150-seat aircraft market over the next few years, and today are studying larger types.

In October 2017, Airbus SE and Bombardier Inc. agreed to form a partnership in relation to the C-Series. The transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction. Completion of the transaction is currently expected for the second half of 2018.

**Customers**

As of 31 December 2017, Airbus Commercial Aircraft had 399 customers and a total of 18,191 Airbus aircraft had been ordered, of which 10,926 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 2017.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Firm orders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
controls, an ergonomic cockpit and a lightweight carbon fibre composite horizontal stabiliser. The use of composite material has also roomy passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire.

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 14,000 aircraft sold, of which 5,995 A320neo (new engine option) Family, and nearly 8,000 delivered (of which 249 A320neo family), Airbus’ family of single-aisle aircraft, based on the A320, includes the A319 and A321 derivatives, as well as the corporate jets family (including new members ACJ319neo and ACJ320neo). Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy 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 and with CFM engines in March 2017. Type Certifications for 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 them to fit seamlessly into existing A320 Family fleets – a key factor for Airbus Commercial Aircraft customers and operators who have taken delivery of nearly 8,000 A320 Family aircraft so far.

With 5,995 firm orders received from 98 customers since its launch in December 2010, the A320neo Family has captured 57% of the market to the end of 2017.

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.

In 2017, Airbus Commercial Aircraft received 1,160 gross orders for the A320 Family of aircraft (1,054 net orders), and delivered 558 aircraft (including 181 A320neo family aircraft).

The first A321neo powered by CFM engines was delivered in April 2017 to Virgin America and the first A321neo powered by P&W engines in September to ANA.

### 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>1998</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>185</td>
<td>5,950(2)</td>
<td>44.5</td>
<td>35.8(3)</td>
</tr>
<tr>
<td>A319neo</td>
<td></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></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.
**A330 Family.** With 1,707 aircraft sold (of which 220 A330neo) and 1,323 delivered, the A330 Family covers all market segments with one twin-engine aircraft type and is designed to carry between 247 and 277 passengers. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The newest evolution to the A330 Family is the A330neo (new engine option), comprising the A330-800neo and A330-900neo versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines. Airbus Commercial Aircraft commenced final assembly for the first A330neo, an A330-900, in 2016. The first flight took place in October 2017 and both Type Certification and first delivery are planned for 2018. The final assembly of the A330-800 started in November 2017 and the aircraft is on track for the first flight planned mid-2018.

In 2017, Airbus Commercial Aircraft received 6 net orders for the A330neo.

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 2017, Airbus Commercial Aircraft received 25 gross orders (21 net) for the A330 Family of aircraft including 10 for the A330neo, and delivered 67 aircraft to customers.

### A330 FAMILY TECHNICAL FEATURES (CURRENT VERSION)

<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>58.8</td>
<td>60.3</td>
</tr>
<tr>
<td>A330-300</td>
<td>1994</td>
<td>277</td>
<td>11,750</td>
<td>63.7</td>
<td>60.3</td>
</tr>
<tr>
<td>A330-800neo</td>
<td></td>
<td>257</td>
<td>13,900</td>
<td>58.8</td>
<td>64</td>
</tr>
<tr>
<td>A330-900neo</td>
<td></td>
<td>287</td>
<td>12,130</td>
<td>63.7</td>
<td>64</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 2017, Airbus Commercial Aircraft delivered 15 aircraft.

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 aircraft in 2018 and 8 in 2019. Airbus Commercial Aircraft has an industrially robust process to deliver down to 6 aircraft a year.

Airbus Commercial Aircraft is continuing to invest in the A380 and in 2017 announced the outcome of a development study: The A380plus; Aerodynamic improvements, cabin enablers (new forward stairs / optimizing galleys and staircases / crew-rest) allowing 80 additional seats, bringing the baseline offering of the A380 to some 575 seats in 4 classes, additional range (+300nm) or payload (+3 tonnes MTOW), system improvements and maintenance optimisation together is expected to bring 13% COC per seat reduction compared to today's A380s.

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.

### 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.

**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 has developed the larger A350-1000, which is now certified by EASA and the FAA and was delivered to its first customer in February 2018. This follows final assembly line start in February 2016 and a successful first flight in November 2016.

In 2016, Airbus Commercial Aircraft received 44 gross orders for the A350 XWB Family (36 net), and delivered 78 aircraft.

In July 2017, Airbus Commercial Aircraft celebrated the delivery of its 100th A350 aircraft – an A350-900 for China Airlines just some 30 months after the first delivery of an A350.

### 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>2018</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 9,950 aircraft in-service by the end of 2017 operated by 424 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 143 field service stations available worldwide for on-site assistance to our operators, covering 167 operators. 201 operators are covered by 15 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.

In 2017, Sepang Aircraft Engineering (SAE), an MRO centre based in Kuala Lumpur, Malaysia, partially owned by Airbus since 2011, has become a fully owned Airbus subsidiary, following the acquisition by Airbus of its remaining shares. It will boost growth strategy of services by Airbus in Asia Pacific.

Airbus launched a new offer, Airbus Interiors Services, dedicated to supporting airlines with their cabin upgrade development strategies.

At Le Bourget airshow, Airbus launched a new aviation data platform in collaboration with Palantir Technologies – pioneers in big-data integration and advanced analytics. Skywise aims to become the single platform of reference used by all major aviation players to improve their operational performance and business results and to support their own digital transformation.

### 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 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 2017, Airbus Commercial Aircraft continued to benefit from market appetite for both aircraft financing and sale and leaseback lessor opportunities, supported by a high level of liquidity available in the market at good rates for Airbus aircraft. Despite a continued suspension of Export Credit Agency support, Airbus Commercial Aircraft customer financing exposure remained limited in 2017 and decreased compared to 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”.

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Asset Management

The Asset Management department 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 department operates with a dedicated staff and manages a fleet comprised of used aircraft across a wide range of models. Through its activities, the Asset Management department helps Airbus 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 2017, the Asset Management portfolio contained 27 aircraft, representing a 27% net portfolio reduction from 2016.

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, such as the “Beluga” Super Transporters. To support the A380 production flow, Airbus Commercial Aircraft has also integrated road, river and sea transport. Programme management is then responsible for the final assembly line activities. The programme management works closely with the plants to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

Following the commencement of aircraft assembly at the A320 Family final assembly line in Mobile, Alabama (US) in July 2015, the first delivery of a Mobile-assembled aircraft took place in April 2016. At the time of publication, Airbus Commercial Aircraft anticipates delivering four aircraft per month from the Mobile plant. The vast majority of the aircraft produced in Mobile will be delivered to North American customers.

In 2017, Airbus Commercial Aircraft announced the following production rate:

- A320 family: rate 60 by mid 2019 with a 4th A320 line in Hamburg, Mobile fully on schedule and Tianjin (China) ramping-up further;
- A330: rate 6 in 2018;

Engineering

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

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

Research & Technology activities continue to deliver incremental innovations for existing aircraft, matured breakthrough technologies, with reinforced focus on industrial aspects. Airbus Engineering is a major contributor to numerous international initiatives dedicated to the preservation of the environment and the reduction of noise and CO\(_2\) emissions. Fully integrated change projects are also implemented to continuously implement innovative and efficient ways of working.

Regional Aircraft, Aerostructures, Seats and Aircraft Conversion

ATR

ATR (Avions de Transport Régional) is a world leader in the 30 to 78 seat regional turboprop aircraft market. Its aircraft are currently operated by more than 200 airlines in over 100 countries. ATR is an equal partnership between Airbus and Leonardo, with Airbus’ 50%
share managed by Airbus Commercial Aircraft. Headquartered in Toulouse, ATR employs more than 1,300 people. Since the start of the programme in 1981, ATR has registered net orders for 1,671 aircraft (465 ATR 42s and 1,206 ATR 72s).

In 2017, ATR delivered 78 new aircraft (compared to 80 in 2016) and recorded net firm orders for 103 new aircraft (compared to 32 in 2016), including significant orders from Indigo and Iran Air, and an order from Fedex for the new ATR-72 F (freighter). As of 31 December 2017, ATR had a backlog of 235 aircraft (compared to 212 in 2016).

**Products and Services**

**ATR 42 and ATR 72.** ATR has developed a family of high-wing, twin turboprop aircraft in the 30- to 78-seat market which comprises the ATR 42 and ATR 72, designed for optimal efficiency, operational flexibility and comfort. Like Airbus Commercial Aircraft, the ATR range is based on the family concept, which provides for savings in training, maintenance operations, spare parts supply and cross-crew qualification. By the end of 2017, ATR had delivered 1,436 aircraft.

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

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

**Production**

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

**STELIA Aerospace**

STELIA Aerospace is a wholly-owned subsidiary of Airbus. Following the merger of Sogerma and Aerolia in 2015, it now offers global solutions for aeronautical manufacturers and airlines supported by its aerostructure, cabin interior and pilot seats business lines.

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

From full aircraft wings and fuselage sections, to fully equipped ‘plug and fly’ structures, STELIA Aerospace is a global partner for major aeronautical players worldwide, such as Airbus, ATR, Bombardier or Boeing.

With more than 6,900 employees worldwide, working within 11 Centres of Excellence based in France, Canada, Morocco and Tunisia, STELIA Aerospace has the capability to offer both Build-to-Print and Design & Build solutions.

Other specialisms include mechanical milling of rolled and stretched panels, and tubes & pipes covering all ATA systems.

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

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

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

As part of its development strategy, STELIA Aerospace is actively seeking new commercial and strategic opportunities.

**Premium AEROTEC**

Premium AEROTEC is a wholly owned subsidiary of the Company (consolidated within Airbus Commercial Aircraft), is one of the world’s leading tier-1 suppliers of commercial and military aircraft structures and is a partner in the major European international aerospace programmes.

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

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

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

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

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

1.1.3 Helicopters

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

Strategy

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

A Commitment to Innovation

Development of the next-generation H160 medium helicopter – the first of the “H Generation” – is ongoing at a steady pace. Flight-test activities were carried out throughout 2017. The third H160 prototype has been introduced in early October enabling flight tests to accelerate with the final assembly line in Marignane being in the final stages of preparation. In 2017, products and services continued to be enhanced, with several initiatives such as the ongoing development of the H175 Public Services version for delivery in 2018 and the first fire campaign of the H145 equipped with H-Force suite for German Special Operation Forces.

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

Airbus Helicopters is also exploring Urban Air Mobility (UAM) via the CityAirbus project, which is an electrically operated platform concept for multiple passengers. As part of Clean Sky 2 European Research programme, Airbus Helicopters has unveiled at the Le Bourget airshow the aerodynamic configuration of the high speed demonstrator codenamed Racer. This demonstrator will incorporate a host of innovative features and will be optimised for a cruise speed of more than 400 km/h. Beyond the platform Airbus Helicopters wants to play a leading role in UAM services like on-demand helicopter booking platforms. Voom, now operational in Sao Paulo, will be the entity that will provide this new service to be deployed to other locations notably in the Americas and Asia-Pacific.

Focusing on Customers

Airbus Helicopters achieved the first wave of its transformation plan in 2017 by further enhancing customer support and services, with safety as the top priority. This is underscored by indicators like increasing fleet availability for customers and operators, or improved On Time Delivery rates for spare parts.

Delivering Safety

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities to determine the precise cause of the accident. Subsequently, Airbus Helicopters has reviewed and applied new safety measures to its product range. Furthermore, design changes have been introduced on the Super Puma and Dauphin family of helicopters.

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

Market Drivers

According to market forecasts produced by Airbus Helicopters, around 22,000 civil helicopters and 14,000 military helicopters are expected to be built globally over the next 20 years (all turbine helicopters). This forecast, particularly with respect to the military sector, relies to a large extent on large US development programmes. Overall, the global helicopter market is still evolving in a difficult environment, despite improved economic indicators in 2017.
Helicopters sold in the civil and parapublic sector, where Airbus Helicopters is a leader, provide transport for private owners and corporate executives, offshore oil operations, diverse commercial applications and state agencies, including coast guard, police, medical and fire-fighting services. Thanks to its existing mission segment diversity, the helicopter market (both Platforms and Services activities) is expected to be resilient through the coming decade, even though one of the key segments, Oil & Gas (in value), continues to experience challenging conditions. Airbus Helicopters expects market softness to continue in the short term but believes that the demand over the next 20 years will be driven by large replacement needs from advanced economies and by growth from emerging countries (especially in Asia still largely under equipped). Airbus Helicopters’ market data indicates that in 2017, worldwide deliveries of civil and parapublic turbine helicopters over five seats stood at ~520 units. Demand for military helicopters and related services is mainly driven by budgetary and strategic considerations, and the need to replace ageing fleets. Airbus Helicopters believes that the advanced age of current fleets, the emergence of a new generation of helicopters equipped with integrated systems and the on-going introduction of combat helicopters into many national armed forces will contribute to increased military helicopter procurement in the medium term. Nevertheless, demand from the military sector has historically been subject to large year-to-year variations due to evolving strategic considerations, and may be limited, due to budgetary constraints on public spending in some regions like Western Europe and Middle East, while other regions like Asia Pacific or Eastern Europe are expected to continue to grow. Despite recent threats and a growing geopolitical instability, which has accelerated military spending and a reassessment of defence budgets, the military market is still low in 2017. Economic difficulties (i.e., low commodities prices), saturation of the Western countries markets as well as postponement of significant military campaigns have resulted in a decrease for all mission segments. According to Airbus Helicopters’ market data, worldwide deliveries of military turbine helicopters stood at ~700 units in 2017.

### Competition

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

The civil and parapublic sector has seen more local competitors in recent years (China, India, Japan, South Korea, Turkey). Airbus Helicopters has consolidated its market share (in bookings of 2.0t helicopters and five seats and above), in a low market, with 50% in unit in 2017, followed by Bell and Leonardo with respectively 18% and 17%.

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

The military sector is highly competitive and is characterised by major restrictions on foreign manufacturers’ access to the domestic defence bidding process (i.e. USA, China, Russia). Thanks to several Super Puma family contracts, Airbus Helicopters increased its market share on this sector (in value) from 4% in 2016 to 12% in 2017. Airbus will continue to focus on large military campaigns in 2018.

### Customers

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

With 50% of the worldwide market share-based on deliveries, the versatility and reliability of Airbus Helicopters products have made them the preferred choice of the most prominent civil and parapublic customers (turbine helicopters over five seats).

### Products and Services

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

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

<table>
<thead>
<tr>
<th>Helicopter Type</th>
<th>Primary Missions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Engine (“Ecureuil” family)</strong></td>
<td></td>
</tr>
<tr>
<td>H125 &quot;Ecureuil&quot; /</td>
<td>Public Services&lt;sup&gt;(1)&lt;/sup&gt;, Military Utility&lt;sup&gt;(2)&lt;/sup&gt; &amp; Armed Reconnaissance,</td>
</tr>
<tr>
<td>H125M “Fennec”</td>
<td>Corporate / Private, Commercial Pax Transport &amp; Aerial Work</td>
</tr>
<tr>
<td>H130</td>
<td>Commercial Pax Transport &amp; Multipurpose, Emergency Medical, Tourism, Corporate / Private</td>
</tr>
<tr>
<td><strong>Light Twin Engine</strong></td>
<td></td>
</tr>
<tr>
<td>H135 / H135M</td>
<td>VIP, Military Utility &amp; Armed Reconnaissance, Emergency Medical, Public Services&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>H145 / LUH (UH-72) / H145M</td>
<td>VIP, Military Utility&lt;sup&gt;(2)&lt;/sup&gt;, Emergency Medical, Public Services&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Medium (“Dauphin” family)</strong></td>
<td></td>
</tr>
<tr>
<td>AS365 “Dauphin” / AS665 “Panther”</td>
<td>Military Naval Warfare Mission &amp; Maritime Security, Public Services&lt;sup&gt;(1)&lt;/sup&gt; (in particular Coast Guard &amp; SAR), Oil &amp; Gas, Commercial Pax Transport &amp; Multipurpose</td>
</tr>
<tr>
<td>H155</td>
<td>Corporate / Private, VIP, Oil &amp; Gas, Public Services&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>H175</td>
<td>Corporate / Private, VIP, SAR, Emergency Medical, Public Services&lt;sup&gt;(1)&lt;/sup&gt;, Oil &amp; Gas</td>
</tr>
<tr>
<td><strong>Medium-Heavy</strong></td>
<td></td>
</tr>
<tr>
<td>H215 “Super Puma” / H215M “Cougar”</td>
<td>Civil Utility, Military Transport / SAR, Oil &amp; Gas</td>
</tr>
</tbody>
</table>
Airbus Helicopters confirms serial production of the H120 has ended in September 2017. The decision to stop production of the H120 is the result of Airbus Helicopters’ strategy to focus on markets where high-end technologies bring most value to customers.

Civil Range

Airbus Helicopters’ civil range includes light single-engine, light twin-engine, medium and medium-heavy helicopters, which are adaptable to all mission types based on customer needs. To maintain and strengthen its competitive edge in the civil sector, Airbus Helicopters is pursuing a fast-paced product range renewal. This entails development for the next generation of helicopters with the H175 Public Services variant and the H145 H-Force.

In the civil market, Airbus Helicopters is preparing the future – the H Generation – embodied by the all-new, medium-weight H160 civil helicopter which was unveiled and started flight testing.

Military Range

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

Designed for modern multi-mission capabilities and cost effectiveness throughout its lifecycle, the NH90 has been developed as a multi-role helicopter for both tactical transport (TTH) and naval (NFH) applications. The programme, mainly financed by the governments of France, Germany, Italy and the Netherlands, has been jointly developed by Airbus Helicopters, Leonardo of Italy and Fokker Services of the Netherlands as joint partners in NATO Helicopter Industries (“NHI”) in direct proportion to their countries’ expressed procurement commitments. Airbus Helicopters’ share of NHI is 62.5%. There were 40 NH90 deliveries in 2017, for a cumulative total of 345 deliveries as of the end of 2017. The NH90 fleet has accumulated ~145,000 flight hours.

The Tiger combat attack helicopter programme includes four variants based on the same airframe: the HAP (turreted gun, rockets and air-to-air missile); the UHT (antitank missile, air-to-air missile, axial gun and rockets); the ARH (antitank missile, turreted gun and rockets); and the HAD (antitank missile, air-to-air missile, turreted gun, rockets and upgraded avionics and engines). Overall in 2017, 17 Tigers were delivered, for a cumulative total of 171 deliveries by year-end. The Tiger fleet has accumulated more than 96,000 flight hours.

Airbus is also a major contractor to the US Army, having been chosen to supply the service’s UH-72A Lakota helicopter. As of 1 January 2018, 430 aircraft had been delivered to the US Defense Department for operation by US Army and Army National Guard units, the Navy and foreign military sales buyers.

Customer Services

With more than 3,000 operators in over 150 countries, Airbus Helicopters has a large fleet of some 12,000 in-service rotorcraft to support. As a result, customer service activities to support this large fleet generated 44% of Airbus Helicopters’ revenues for 2017 after the disposal of Vector Aerospace in November 2017.

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

Production

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

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

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

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

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

- **Military Aircraft** designs, develops, delivers and supports military aircraft. It is the leading fixed-wing military aircraft centre in Europe, and one of the market leaders for combat, mission, transport and tanker aircraft worldwide. Key products include the Eurofighter Typhoon, the A400M, the A330 Multi Role Tanker Transport (MRTT) and the C295.

- **Space Systems** covers a broad range of civil and military space applications. Its satellite solutions for telecommunications, earth observation, navigation and science include spacecraft, ground segments and payloads. It also manufactures orbital and space exploration systems. Space transportation capabilities (comprising launchers and services) are offered via ArianeGroup, a 50/50 joint venture between Airbus and Safran.

- **Communications, Intelligence & Security (CIS)** includes four business clusters: Secure Communications, Intelligence, Cyber Security and Security Solutions. These clusters develop specific solutions for customers ranging from governments to small companies and commercial enterprises. In addition, CIS houses a dedicated unit for developing future applications for commercial markets, leveraging Airbus Defence and Space innovations, products and capabilities.

- **Unmanned Aerial Systems (UAS)** develops, delivers and operates UAS and UAV solutions for airborne intelligence, surveillance, reconnaissance, and combat missions. The commercial part of the UAS Programme Line, Airbus Aerial, delivers actionable data for different vertical markets, connectivity and cargo delivery services – fitting customer needs.

**Strategy**

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

This growth strategy includes the following objectives:

- **Shape the next generation of integrated combat systems and services**: As a replacement for the current generation of European combat aircraft, our vision for Future Air Power is based on a secure, interconnected, scalable and upgradable system of manned and unmanned platforms, including a new fighter and enhanced sensors and effectors.

- **Lead the market in multi-mission and military transport solutions**: We will develop further upgrades and capabilities for our A330 MRTT and C295 platforms including greater connectivity and automatization. We will progress our products towards multi-mission capability and will enlarge our portfolio.

- **Build an innovative UAS portfolio for commercial and military applications**: In the area of commercial UAS, Airbus Aerial will focus on remote sensing, cargo drone services and connectivity applications. In defence we will shape sovereign European programmes such as a medium-altitude, long-endurance UAS, while concurrently developing teaming and swarming solutions.

- **Take leadership in space solutions**: As the no. 1 in Europe and no. 3 in the world, we aim to further strengthen our position by pushing innovation and accessing new customers. We will develop next generation space-based systems to deliver earth-observation, telecom and connectivity solutions, and offer cutting-edge in-orbit services.

- **Establish a leading position in cyber for governments and critical industries**: We will protect Airbus and its products against cyber attacks, and develop solutions to protect government and critical industry assets, products and operations.

- **Make digital services and secure connectivity our new growth engine**: Digital platforms will be a key enabler for the creation of future data-driven services and new business models, e.g. drone services, imagery intelligence or aircraft in-service support. We also aim to be a leader in end-to-end secure connectivity across satellite, terrestrial, maritime and airborne networks.

- **Grow our capability in the US**: Leveraging our existing products and services, we will strengthen our position in the US market through innovation and select strategic partnerships.

**Market**

Airbus Defence and Space is mainly active in public and para-public markets. As a general trend, defence budgets in Europe are set to gradually increase, triggered by heightened security risks and reinforced by recent discussions on the NATO commitments. In addition, the implementation of the European Defence Action Plan of November 2016 was bolstered by the joint declaration published in July 2017 by the French and German governments outlining the intention to strengthen European defence, including the joint development of military and security capabilities; together, these may provide new sales opportunities through members’ collaborative procurement mechanisms. Market access outside the home countries may be subject to restrictions or preconditions such as national content. Nevertheless, Airbus Defence and Space, in conjunction with Airbus, is well-placed to benefit from growth potential in defence across its solutions.
**Military Aircraft**

**Customers**

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

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

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

With its C295 platform, Military Aircraft has also entered into the leasing market for civil operation, such as the UN World Food programme, and is looking for other civil opportunities.

**Competitors**

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

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

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

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

**Market Trends**

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

In 2017, a contract for the supply of 24 units to Qatar was secured for the Eurofighter Typhoon consortium. A number of further sales are expected, prolonging the Eurofighter Typhoon production life.

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

The announcement of France and Germany in July 2017 to jointly develop and procure the next generation fighter jet may also contribute to safeguarding critically-needed European defence capabilities in the future.

**Space Systems**

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

In the public market for Earth observation, scientific / exploration and navigation satellites, competition in Europe is organised on a national and multinational level, primarily through the European Space Agency (ESA), the European Commission (EC) and national space agencies.

Decisions at the latest ESA Ministerial Conferences and under EC Horizon 2020 paved the way for future European programmes in which Airbus Defence and Space does or may seek to participate. There is also important export demand for Earth observation systems, for which the company is a leading provider. The export market is expected to continue growing over the medium-term.

For military customers, demand for telecommunication and observation satellites has increased in recent years.

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

The orbital infrastructure segment comprises manned and unmanned space systems mainly used for space exploration, i.e. scientific missions. Demand for orbital infrastructure systems originates solely from publicly funded space agencies, in particular from ESA, NASA, Roscosmos (Russia) and NASDA (Japan). Such systems are usually built in cooperation with international partners. The International Space Station (ISS), together with related vehicle and equipment development programmes and services, constitutes the predominant field of activity in this segment and Airbus Defence and Space leads as prime contractor on industrial level the European contribution to the international Space Station ISS. Airbus Defence and Space is involved in NASA’s Orion project as the prime contractor for the European contribution: the mission-critical service module of the MPCV (Multi-purpose Crew Vehicle) Orion spacecraft, which will allow astronauts to fly beyond low Earth orbit for the first time since the American Apollo programme.
The joint venture ArianeGroup is prime contractor for the Ariane 5 launcher system. ArianeGroup is contracted for the development of the future Ariane 6 launcher and is the prime contractor responsible for the development, manufacturing and maintenance of the French deterrence systems.

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

The commercial telecommunication satellite market is highly competitive, with customer decisions primarily based on price, technical expertise and track record. The main competitors for telecommunications satellites are Boeing, Lockheed Martin, MDA and Orbital in the US, Thales Alenia Space in France and Italy, and Information Satellite Systems Reshetnev in Russia. The market for telecommunications satellites is expected to remain largely stable over the coming years at a level of approximately 20 orders per year on average.

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

In 2015 Airbus Defence and Space announced the creation of OneWeb Satellites JV, an equally owned company with OneWeb that will design and build 900+ satellites for the OneWeb constellation programme. This satellite constellation aims to provide competitive global internet access. This participation is entrepreneurial in nature and is meant to drive innovation in a new space market – an area that is set to expand dramatically in coming years. In 2017, OneWeb Satellites JV broke ground on the world’s first state of the art high-volume satellite manufacturing facility in Exploration Park, Florida, and inaugurated its serial production line for the assembly, integration, and test of OneWeb’s first satellites in Toulouse.

**Communications, Intelligence & Security**

The Communications, Intelligence and Security (CIS) Programme Line brings together the growing but increasingly competitive market for satellite and terrestrial communication, intelligence and security services and solutions. CIS serves a common customer base which includes governments, defence institutions, security and public safety agencies, and increasingly commercial sectors such as transportation (maritime, aviation, road), energy (oil, gas, electricity), mining and agriculture.

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

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

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

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

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

CIS focuses on public customers such as armed forces for government satellite communications, where we have long-term relationships with our customers. Whereas budget pressures on public expenditure are high in Europe, investment into the services and solutions offered by CIS is likely to continue in the face of new global security threats, a re-emphasis on defence and security and the growth in demand for digital services. CIS has the objective to develop and scale digital services e.g. new services based on data generated by existing Airbus Defence and Space products to generate significant profitable revenues.

**Unmanned Aerial Systems**

**Customers**

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

**Competitors**

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

**Market Trends**

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

Military Aircraft

A400M — Heavy military transport. The A400M is designed to be the most capable new generation airlifter on the market today. It is designed to meet the needs of the world’s armed forces and other potential operators for military, humanitarian and peacekeeping missions in the 21st century. The A400M is designed to do the job of three different types of military transport and tanker aircraft conceived for different types of missions: tactical (short to medium range airlifter capability with short, soft and austere field operating performance), strategic transport (longer range missions for outsized loads) as well as tactical tanker. A total of 174 aircraft have been ordered so far by the seven launch customer nations Belgium, France, Germany, Luxembourg, Spain, Turkey, the UK and one export customer, Malaysia. Type Certificate and Initial Operating Clearance have been achieved in 2013. Since then, 57 units have been delivered to six nations by the end of 2017. The A400M is already deployed operationally since 2014 and military capability is expected to grow over time.

Multi-role tanker transport — A330 MRTT. The A330 MRTT, a derivative of the Airbus A330 family, offers military strategic air transport as well as air-to-air refueling capabilities. Its large tank capacity is sufficient to supply the required fuel quantities without the need for any auxiliary tanks. This allows the entire cargo bay to be available for freight, with the possibility of incorporating standard LD3 or LD6 containers, military pallets and/or any other type of load device in use today, as well as the full cabin available for personnel transport. The A330 MRTT is equipped with state of the art refueling systems, including an Aerial Refueling Boom System (ARBS) and under-wing refueling pods. At the end of 2017, the A330 MRTT programme has a total of 56 aircraft firm orders by eight customers, of which 29 already delivered and in service in four nations.

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

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

Airbus Defence and Space signed long-term global sustainment and material availability contracts for the Eurofighter Typhoon weapon system with the UK, Spain, Italy and Germany. The new agreement on Contract 1, effective 1st January 2017, runs for five years and is the second phase of sustainment for the Eurofighter Typhoon weapon system for all core nations forming the baseline for all in-service activities.

The new Contract 3, also effective from 1 January 2017, runs as well for five years and is the first milestone on the way to performance based logistics securing for the first time material availability for the Spanish and German air forces.

At the end of 2017, a total of 599 Eurofighter Typhoon aircraft had been ordered by eight customers (UK, Germany, Italy, Spain, Austria, Saudi Arabia, Oman and Kuwait), with a total of 532 aircraft delivered. Export opportunities are being actively developed together with the other shareholders of the Eurofighter consortium.

C295 — Light and Medium military transport/mission aircraft. The C295 is the work horse of tactical military transport, conducting logistical missions including the transport and delivery of personnel and cargo as well as medical evacuations. The aircraft are deployed in demanding environments (meteorological conditions, operational complexity, etc.), such as peacekeeping on the Sinai Peninsula. The aircraft are offered in varied versions and configurations beyond the traditional airlifter version, for example maritime patrol and anti-submarine warfare, airborne early warning and control, firefighting and intelligence surveillance reconnaissance (ISR), etc. In more than 30 years in service, this family of aircraft has proven to be robust, reliable, high-performing, efficient, flexible, easy to operate in any environment, and at low operating costs. 490 orders had been recorded for both CN235 and C295 types together at the end of 2017, with 22 aircraft ordered in 2017

Customer Services. Airbus Defence and Space offers and provides various services for and related to military aircraft. Throughout the lifetime of our aircraft, Military Aircraft Services includes integrated logistics support, in-service support, maintenance, upgrades, training or flight hour service. For example, the A330 MRTT contract with the UK Ministry of Defence through the AirTanker consortium includes alongside 14 aircraft the provision for all necessary infrastructure, training, maintenance, flight management, fleet management and ground services to enable the Royal Air Force to fly air-to-air refueling and transport missions worldwide. Customer services go beyond the fleet of aircraft currently in production at Airbus Defence and Space, conducting upgrade programs for aircraft such as the Tornado and P-3 Orion. Airbus Defence and Space maintains a network of Maintenance, Repair and Overhaul centers strategically located throughout the world for greater proximity to the customer, for example in Seville or Manching in Europe, in Mobile, Alabama (US) or at subsidiaries in Saudi Arabia or Oman.

Space Systems

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

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

**Launch services.** Airbus Defence and Space is active in the field of launch services through its ArianeGroup joint venture. ArianeGroup is responsible for the coordination and programme management of civil activities of the launcher business and relevant participations that have been transferred. ArianeGroup owns a total 74% stake in ArianeSpace, 46% of Starsem and 51% of Eurockot, providing a complete range of launch services with the Ariane, Soyuz, Vega and Rockot launchers.

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

**Telecommunication satellites.** Airbus Defence and Space produces telecommunication satellites used for both civil and military applications, such as television and radio broadcasting, fixed and mobile communication services and Internet broadband access. Current Airbus Defence and Space geostationary telecommunication satellites are based on the Eurostar family of platform, the latest version of which is the Eurostar E3000, including an all-electric variant. In 2015, Airbus Defence and Space also started the development of the Eutelsat Quantum telecommunication satellite, which will be the first satellite that can be fully reconfigured in orbit through its flexible antennae and repeater. Through its contract with OneWeb to design and produce 900 small telecommunication satellites for a constellation in Low Earth Orbit, Airbus Defence and Space is spearheading the industrial and commercial development of very large satellite constellations.

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

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

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

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

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

**Communications, Intelligence & Security**

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

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

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

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

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

Airbus Defence and Space is currently producing four Pleiades Neo, Airbus’ new very high resolution satellites. They will join the already large Airbus constellation of optical and radar satellites and will offer enhanced performances and the highest reactivity in the market thanks to direct access to the data relay communication system, known as SpaceDataHighway.
TerraSAR-X, a radar-based Earth observation satellite that provides high-quality topographic information, enabled Airbus Defence and Space to significantly expand its capabilities by proposing new kinds of images based on radar. TanDEM-X, its almost identical twin, was successfully launched in 2010 and achieved in 2014 WorldDEM, the first high precision 3-D elevation model of the entire surface of the Earth.

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

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

**Security Solutions**

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

**Unmanned Aerial Systems**

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

In May 2017, Airbus Aerial was launched. It brings together a variety of aerospace technologies – including drones and satellites – combines them in a software infrastructure, and applies industry specific analytics to deliver tailored solutions to help its customers efficiently run their business. The portfolio of services will primarily focus on three applications – remote sensing, cargo drone services and connectivity. The Airbus Aerial activities will span both drone enabled digital services as well as the development of certifiable drones. Its focus lies on commercial customers in agriculture, insurance, infrastructure, state and local government.

**Production**

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

**MBDA**

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

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

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

Dassault Aviation

Following on from the 2014 and 2015 share sales, the Company sold in 2016 approximately 0.83 million shares in Dassault Aviation, representing around 9.05% of the company’s share capital at the time. As a result of the implementation of 2016 and 2017 Dassault Aviation’s share buyback programs and of Dassault Aviation’s capital increase, which took place on 21 June 2017 and at the occasion of which 61,136 shares were issued to remunerate the shareholders who opted for a dividend payment through attribution of shares, the Company holds approximately 9.93% of Dassault Aviation’s share capital and 6.16% of its voting rights. In case of exchange in full of the bonds issued by the Company and which are due in 2021, the Company will no longer hold any of Dassault Aviation shares and voting rights.

1.1.6 Insurance

The Company’s Insurance Risk Management function (“IRM”) is established to proactively and efficiently respond to risks that can be treated by insurance techniques. IRM is responsible for all corporate insurance activities and related protection for the Company and is empowered to deal directly with the insurance and re-insurance markets. A continuous task of IRM in 2017 was to further improve efficient and appropriate corporate and project-related insurance solutions.

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

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

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

1.1.7 Legal and Arbitration Proceedings

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

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

WTO

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

On 1 June 2011, the WTO adopted the Appellate Body’s final report in the case brought by the US assessing funding to Airbus Commercial Aircraft from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO’s recommendations and rulings. Because the US did not agree, the matter is now under WTO review pursuant to WTO rules.
On 23 March 2012, the WTO adopted the Appellate Body’s final report in the case brought by the EU assessing funding to Boeing from the US. On 23 September 2012, the US informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO’s recommendations and rulings. Because the EU did not agree, the matter is now under WTO review pursuant to WTO rules.

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

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

Eurofighter Austria
In March 2012, the Munich public prosecutor, following a request by the Vienna public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust against 16 individuals, among them former and current employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH. The proceedings are related to the sale of Eurofighter aircraft to the Republic of Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct an independent fact finding review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the Munich public prosecution. Airbus has been fully cooperating with the authorities. Regarding the question of deductibility of payments made in connection with the Eurofighter Austria campaign, Airbus Defence and Space GmbH settled with the tax authorities in August 2016.

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

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

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

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

Other investigations

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

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

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

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

Review of business partner relationships

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

Commercial disputes

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

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

1.1.8 Non-Financial Information

1.1.8.1 Airbus’ Approach to Responsibility & Sustainability

Airbus and its main stakeholders

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

Airbus is engaged in stakeholder dialogue at various levels of the Company. Cooperation being at the heart of Airbus since its inception, the Company strongly encourages exchanging on best practices, understanding different perspectives and improving its performance in every activity. The responsibility for stakeholder engagement is decentralised at Airbus and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. Airbus often seeks a sectorial approach in order to strengthen the impact.
The Company’s main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

- Generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability.
- Be a provider of choice, offering superior value-for-money products and services to customers.
- Engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, Airbus must respond to their expectations about development, people management and values.
- Build sustainable relationships with its suppliers based on mutual interest to satisfy its customers to encourage responsible practices. The Company promotes the Supplier Code of Conduct as standards consistent with its own code of conduct, and also develops and implements adequate mechanisms to monitor supplier performance.
- Play a key role in society and towards local communities. The Company is committed to responsible business practices in terms of respect for human rights, labour, the environment and anti-corruption. In addition, the Company encourages initiatives that contribute to tackling societal challenges whether through its products and services, skills and resources or via key partnerships.

Materiality Assessment

In order to prioritise its responsible and sustainable efforts, Airbus has performed a materiality assessment in 2017. With the support of consultants, Airbus approached a set of stakeholders representing customers, works councils, local community partners, NGOs, technological partners, investors, airworthiness authorities, MROs, government bodies, suppliers and industry associations. Airbus chose a qualitative approach rather than a quantitative approach. In-depth interviews were conducted with external stakeholders. A list of top issues for the Company was developed, consolidated and ranked by the Company’s Responsibility & Sustainability Network. The network gathers a group of experts advising on Airbus’ Responsibility & Sustainability (“R&S”) strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. It is trans-functional, trans-national and trans-divisional and meets on a regular basis. The outcome of this assessment was shared with top management.

UN Sustainable Development Goals

Airbus is committed to the UN Global Compact principles and has reached the “Advanced Level”. Airbus adopted the UN Sustainable Development Goals (SDGs) in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, Airbus performed a mapping of its contributions based on the Company’s publicly available information (including the Company’s website, annual report and press releases). It demonstrated that at least eight of the 17 SDG goals are directly relevant to Airbus’ businesses and stakeholders’ feedback confirmed that Airbus is actively contributing to:

- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 16: Peace, justice and strong institutions
Throughout 2017, Airbus continued the mapping internally and identified KPIs to assess its overall contributions to the above SDGs. Measurement will start in 2018.

Responsibility & Sustainability Charter

In 2017, Airbus has outlined its commitments in a new R&S Charter. The aim of the Charter is to demonstrate how Airbus intends to contribute to the requirements and needs of society and how employees will live Airbus’ six values in their daily work with all stakeholders whether customers, suppliers, partners, shareholders. The Charter is available at www.airbus.com.

Airbus’ Way Forward: Vigilance Plan

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

As far as its own operations are concerned, Airbus has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations. They are fully embedded into the Company’s culture and processes. At Airbus, heads of programmes and functions, supported by their respective specialists, shall ensure proper deployment of the Company’s policies, management of Enterprise Risk Management (ERM) in their fields as well as duly reporting issues to top management. Airbus’ approach is thus based on its existing strengths:

1) strong management process already established and adopted by employees;
2) empowerment of specialists;
3) industry approach whenever possible.

In 2017, Airbus established a working group composed of specialists representing supplier management, health and safety, environmental affairs, labour rights, ethics and compliance, corporate governance as well as risk managers and representatives from the Company’s two Divisions. One of the tasks of the working group was to perform a risk assessment and define concrete actions in order to ensure continuous monitoring of the entire Company and to mitigate principal risks or prevent serious violations. Airbus is also working to ensure that internal processes will be adjusted in order to ensure the efficiency of all measures.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment. The ERM system was updated to take into account the most significant potential risks related to these areas that Airbus may generate as part of its operations. The ERM team also adjusted its procedures so that these potential new risks and their likely adverse impacts can be duly assessed throughout the Company. For each risk, a dedicated action plan is being defined by the responsible team who will monitor its deployment throughout the Company. The potential new risks and related action plans will be consolidated and reported to the top management of the Company. For a complete description of Airbus’ ERM system, see “— Corporate Governance — 4.1.3 Enterprise Risk Management System”.

To support our commitment to and promotion of a speak-up culture, Airbus created the OpenLine to provide the Company’s employees with an avenue for raising concerns in a confidential way. Subject to regulatory approval, Airbus intends for employees to be able to raise their concerns, if any, about violations of human rights and fundamental freedoms, health and safety and environmental policies.

Airbus is also reinforcing its training for employees related to human rights as well as other topics related to responsibility and sustainability. Airbus currently proposes over 80 e-learning courses on labour relations, diversity, environmental and health and safety matters to its employees. In addition, the Company also provides training to its employees on the Airbus Standards of Business Conduct. Finally, a R&S learning programme targeting employees to be trained on new regulations and supporting cultural change will be developed and launched in 2018.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. Currently, Airbus and its Divisions have different governance directives for the affiliates in their respective scopes with the aim to have a single governance directive in 2018. The objective of the corporate governance directives for Airbus’ affiliates is to define rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. The document is used to assist Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus’ on-going commitment to high standards of corporate governance.

Each affiliate with operational activities has in place a board of directors and/or a shareholders’ meeting where the strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate’s management. The board will consider the affiliate’s accounts, the operating and development plans, the company performance versus the allocated targets, human resources topics and ERM. At least once a year the agenda of the board will include an update on ethics and compliance matters (including training, awareness and any other relevant issues).

In order to ensure proper and systematic cascading of CSR-related policies throughout the Company, Airbus’ head of Subsidiaries and Affiliates has joined the R&S Network while, in return, each impacted function has appointed an official point of contact that can support affiliates in the implementation of these policies.

In 2018, Airbus will update its directive on CSR-related policies requirements applicable to its affiliates. Airbus will communicate the necessity to ensure deployment and monitoring of the following policies described in this chapter:

- International Framework Agreement
- Agreement on the European Works Council
- Supplier Code of Conduct
- Health & Safety Policy
- Standard of Business Conduct
- Environmental Policy
Affiliates will be asked to evaluate the newly identified potential risks via the Airbus ERM system as well as to regularly monitor them as part of their risk assessment process. Airbus will ensure that the procedures to assess, investigate and manage allegations are well-aligned throughout the Company. In addition, a self-assessment of affiliates regarding social, human rights, and environmental matters will be organised, starting in 2018.

For its principal joint ventures, Airbus will ensure the proper application of its policies or those of its partner. The overall plan will be shared with employees throughout the year.

A dedicated programme has been launched by the Procurement function in order to monitor Airbus’ suppliers and develop processes to identify potential serious harm to human rights, fundamental freedom, health and safety and the environment with the aim of preventing them. For more information, see the dedicated chapter on the supply chain, including the vigilance plan for suppliers, under chapter 1.1.8.4 (b) Responsible Suppliers.

1.1.8.2 Responsible Manufacturer

a. Product Safety

Airbus recognises and values the trust the flying public puts in its aircraft, and this is the reason the Company constantly strives to improve safety any way it can. Its investment in successive generations of aircraft which embody new and safer technologies have been very successful in achieving an ever-decreasing number of accidents despite an ever-increasing number of flights.

Today, with the rate of accidents at an all-time low, Airbus is working even harder to ensure that accidents remain rare events.

This is why it is Airbus’ top priority to continually improve safety. Its commitment to safety starts at the top, is reflected in the structure of its organisation, and is most deeply embodied in the mind-set employees bring to work.

At every point in design, manufacturing and assembly, Airbus makes sure that its aircraft not only comply with but exceed the safety requirements laid down by the European Aviation Safety Authority (EASA) and the US Federal Aviation Authority (FAA). The development of the Fly-By-Wire and flight envelope protection technologies more than 25 years ago, or more recently the Runway Overrun Prevention System, are examples of significant contributions to safety introduced by Airbus and now becoming industry standards.

Whenever safety topics must be discussed, it is done at the appropriate level, including by Airbus’ senior executives. By acting together, the Company ensures that the full power of coordinated cross-company action can be brought to bear on any issue where it is believed that safety can be further enhanced.

The Product Safety Process (PSP) is Airbus’ primary means of responding to what is happening with the 10,000 Airbus aircraft flying today, and of maintaining continued airworthiness. It enables Airbus to analyse reports from the field and other in-service events, and frequently leads to the introduction of safety enhancements either to new products under development or to existing designs. In this way, Airbus is actively enhancing the safety level for its products and helping to advance the safety level for the whole industry.

The PSP is now evolving to be part of Airbus’ Safety Management System (SMS), formalising Airbus’ evolution to a risk management approach to safety. Both the PSP and the SMS rely on a network of safety representatives within each Division of the Company. All Airbus employees, including those in the safety network, are trained to recognise that the lives of passengers and airline personnel can depend on their personal commitment to safety, and to ensure that they are aware of how their personal actions can improve safety.

Airbus and its employees at all levels therefore work hard to ensure safety in:

- The design of aircraft to higher levels than those required by EASA/FAA Part 25 regulations;
- The quality of manufacturing in line with its EN 9001 certification;
- The materials/manuals supplied to customers to operate and maintain the aircraft;
- The training provided to flight crews, cabin crews and maintenance crews;
- The worldwide services delivered in support of the aircraft’s operation.

Yet what makes a flight safe is a combination of a safe aircraft, safe airline operations and a safe air transport system. Therefore, even if the primary responsibility of Airbus as a manufacturer is the aircraft, the scope of safety at Airbus reaches beyond the product and also includes an active role at the air transport system level.

Airbus is in constant contact with other aircraft manufacturers, airlines and air safety organisations around the world to find new ways of improving safety standards. The Company believes that industry wide cooperation is crucial to making further safety enhancements.

Airbus has put in place a harmonised approach to product safety throughout the Company. Similar processes and tools to those described above for Airbus commercial aviation are in place at Airbus’ Divisions, Defence and Space and Helicopters. These include a dedicated Product Safety function, which is empowered to take action across the business to ensure the safety of all operations, daily monitoring and management of safety topics and deployment of a SMS as well as related specific organisation approvals by competent organisations. However, the implementation of these harmonised processes was adjusted to the specificities of their activities and of the regulatory requirements. For example, there is no regulation to manage companies and official organisations’ participation in safety investigation for the military world. In addition, due to the nature of military activities, investigation are often classified as confidential or restricted for officials.

b. Research & Technology
In 2017, CTO underwent a transformation programme to become more agile, innovative and aligned with the needs of Airbus. The new organisation applies a lean, project-based approach, will encourage collaboration with external research communities and develop partnerships, especially through open innovation with technical and scientific experts.

The CTO organisation is responsible for: guiding all R&T activities of the Company and ensuring Airbus-wide integration of technology through Technology Planning and Roadmapping, accelerating the development of selected technologies through Flight Demonstrators together with the Divisions, providing expertise in breakthrough technologies in support of the group wide projects in Central R&T and developing technologies for the next generation aircraft in Airbus R&T.

**Technology Planning and Roadmapping** developed a set of technology roadmaps spanning the R&T portfolio, which are used to analyse technology progression using key figures of merit and is starting to provide a valuation methodology for the R&T activities.

**Flight Demonstrators** provide a maturation mechanism and maturity gates for the group R&T portfolio. The Demonstrators employ a CTO-established development methodology, including phasing and key gates, lightweight project management and earned-value management processes, including budgeting, HR and contracting mechanisms tailored for speed of execution.

**Central R&T** is organised in five boost areas - Data Science, Materials, Communication Technologies, Electrics Expertise and Virtual Product Engineering. A research vision and new ways of working were implemented with a short cycle for testing new ideas and decision gates for the creation of larger projects. The transitioning from the former Airbus Group Innovations is ongoing through 2018.

**Airbus R&T** portfolio will be organised in three areas starting in 2018 to better adapt to Airbus product policy and business needs - Enhancing our Aircraft Programmes, Next New Aircraft, and Digital Design & Manufacturing. The organisation started a transformation program aiming for speed, agility and high performance with a flatter hierarchy and empowered teams.

In addition to the domains described above, five technology thrusts were established to ensure coherency in the portfolio of activities and to rapidly advance strategic priorities. These thrusts are:

- Electrification:
- Digital Design and Manufacturing:
- Connectivity:
- Autonomy:
- Materials.

**Key progress in 2017**

**Flight Demonstrators**

- **E-Fan X Programme:**
  The E-Fan family of technology demonstrators was a bold step towards all-electric and hybrid-electric flight aimed at establishing requirements for future certification of electrically powered airplanes and at training a new generation of designers and engineers for the challenges of electric flying. In March 2017, the Airbus Executive Technical Council decided to refocus Airbus’ efforts on electric flight towards a more ambitious project, which aims to develop a hybrid-electric demonstrator baptised the "E-Fan X", a stepping stone towards a hybrid electric single aisle aircraft. In November 2017, E-Fan X was launched in conjunction with Siemens and Rolls-Royce. E-Fan X will be powered by a 2 MW motor, which is one order of magnitude greater than E-Fan 2.0’s motor.
- **E-Aircraft Systems House (EAS):**
  The EAS aims to verify hybrid- and electric propulsion systems functionality and performance for low, medium, and high-power systems by ground testing, accelerating technology readiness in collaboration with Siemens and developing and supplying hybrid-electric propulsion systems and hardware for Flight Demonstrators.
  In 2017, it continues to support electrification projects, including providing the test bench for CityAirbus.

**A³**

A³ (pronounced “A-cubed”), is the advanced projects and partnerships outpost of Airbus in Silicon Valley with the mission to disrupt the aerospace industry.

- **Altiscope** launched in 2017 to help integrate unmanned aircraft systems (UAS) into the airspace. Using a simulator to evaluate policy options and operational models for air traffic management systems, it aims to service all forms of airborne traffic.
- **Vahana** is an electric urban air mobility vehicle designed to carry a single passenger or cargo. A³ is aiming to make it the first certified passenger aircraft without a pilot. The first Vahana full-size prototype is scheduled to fly in early 2018.
- **Transpose**, launched in December 2016, rethinks the aircraft cabin architecture and passenger experience possibilities. The project demonstrated user tests in a modular cabin in its alpha phase.
- **Voom** delivers an on-demand urban air mobility service using helicopters. It successfully completed its beta phase pilot in Sao Paulo, Brazil, and will continue as a business in 2018 within Airbus Helicopters.
- **Airbus China Innovation Centre (ACIC):** This year, a second innovation centre was opened in Shenzhen, China. Like A³, it is focused on technologies and business models that could be disruptive to the core business. However, it will leverage the hardware ecosystem in Shenzhen, and talent pool in China to develop projects. The first ACIC project will be launched in 2018.

**BizLab**

Airbus BizLab is the aerospace accelerator where startups and Airbus intrapreneurs speed up the transformation of innovative ideas into valuable businesses. BizLab offers early-stage selected projects wide-ranging support in the form of a program with a six-month acceleration phase. Startups and internal projects benefit from free hosting in BizLab facilities, have access to a large number of Airbus coaches and experts in various domains, and participate in events such as a Demo Day with Airbus decision makers, Airbus customers and partners. The BizLab expanded its network by opening a fourth campus, in Madrid, in January 2018.
Airbus Aerial is an image and data analytics services company that was launched in 2017. It integrates data from a broad array of aerospace assets including satellites and unmanned aerial vehicles. At the end of 2017, it employed 22 people.

c. Environmental Matters

The industry faces a variety of environmental challenges, including climate change, and Airbus invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them. As aviation represents around 2% of global man-made CO₂ emissions, Airbus recognises its role in reducing the global environmental footprint of the sector and the importance of staying in line with the global 2°C trajectory. This is done through continually seeking to reduce the carbon intensity of Airbus’ industrial operations and working together with Airbus’ suppliers, industry and government stakeholders in its aim to find sustainable solutions to reduce the environmental impact of its products, deliver its ambitious sectorial emission reduction goals, as well as preparing adaptation to the effects of climate change on its operations.

One of these challenges is the elimination of substances from its products and processes that may pose a risk to human health or the environment, which will be addressed later in this section.

1. Environmental Management at Airbus

“Shaping our future” means that Airbus develops products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. Incorporating environmental values into its core policy not only improves the management of operational business risks and opportunities but also enhances the long-term sustainability of its business. Alongside the Company’s environmental policy in pursuit of eco-efficiency, Airbus has developed an aspirational long-term ambition for 2050 setting the direction for the Company regarding environmental matters, providing a framework to set up concrete environmental objectives for the short- and mid-term.

The Company’s 2050 Ambition covers the three following complementary directions:

- operating Airbus sites without impact on climate change by eliminating greenhouse gas emissions, with zero air and water emissions, zero waste to landfill and minimal natural resources consumption;
- delivering products which provide maximised value to customers whilst meeting expectations of society through minimised impact on climate, air emissions and noise, management of substances of concern aiming at their elimination and maximised reliability, throughout the product lifecycle;
- engaging the supply chain in the Company’s ambitious objectives.

In 2015, an Environment Steering Committee was created to manage all matters related to the environment. The Steering Committee meets four times a year and is composed of the heads of Environment for Airbus Commercial Aircraft, Helicopters and Defence and Space, as well as a representative from the R&S department. Its role is to develop and define the environmental policy and associated objectives and agree on a common approach for the management of the environment throughout the Company.

Airbus has put in place a robust Environmental Management System (EMS) centrally and within its Divisions. One of the functions of the Airbus EMS is to track the enhancement of its environmental performance as it includes identifying, managing, monitoring and controlling an organisation’s environmental issues. Airbus’ EMS is guided by the latest version of the international environmental standard, ISO 14001: 2015 version. The 2015 version has a broader scope than previous standards, and Airbus was among the first aerospace companies to adopt it.

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

On an annual basis, Airbus undertakes an extensive exercise to collect, consolidate and report the Company’s environmental performance data. Quantitative data is gathered - energy and water consumption, CO₂ and VOC emissions and waste generation - as well as qualitative data - certification, incidents, activities on site. This enables Airbus to measure its environmental impact, follow its performance and communicate information on environmental matters to internal and external stakeholders. The Company’s commitment to eco-efficiency is demonstrated through its transparent reporting.

In the future, the reporting of environmental indicators will include relevant categories of Scope 3 emissions for Airbus’ operations. This will provide greater understanding of the impact on the environment of activities under Airbus’ control.

Working in cooperation

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

Engagement within the International Aerospace Environmental Group (IAEG). Airbus is a Founding Member of IAEG and participates in different areas of IAEG, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to
Airbus is an active board member of the Air Transport Action Group (ATAG) which sets goals and mobilises action on strategic aviation issues such as climate change through involvement throughout the industry (i.e. with other manufacturers, airlines, airports, air traffic management).

Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (i.e. air quality, noise, CO₂). Airbus has shown a long-term commitment to support the need for global civil aviation governance, with ICAO as its corner-stone, working together with stakeholders across the aviation industry and with the relevant governmental agencies.

Airbus, with the rest of the aviation industry, has supported the ICAO agreements in 2016 on the CO₂ standard and Carbon Offsetting & Reduction Scheme for Aviation (CORSIA), the new international carbon offsetting scheme for aviation.

Airbus continues to proactively support emissions and noise reduction once its aircraft go into service. This could be through fuel efficiency services, weight saving projects, retrofits (i.e. sharklets) and ground operations (i.e. eTaxi). In 2015, Airbus launched the Sustainable Aviation Engagement Programme, establishing long-term cooperations with various Airbus operators to offer ways to reduce their environmental footprint.

Clean Sky was at the time of its launch the largest European research programme funded by the EU, developing innovative, cutting-edge technology aimed at reducing CO₂ gas emissions and noise levels produced by aircraft. As part of this programme, Airbus developed the Bluecopter concept, which demonstrates a number of fuel saving and noise reduction technologies. It is already the quietest helicopter worldwide in its category, and also the first to reach the noise category A+. The demonstrator underwent a stringent flight test campaign until April 2017 in order to validate the effectiveness of the technologies developed in the frame of the CleanSky program.

In September 2017, the Company used a modified A340 aircraft to test the laminar flow concept developed by Clean Sky. The BLADE project aims to reduce wing friction by 50% and reduce CO₂ emissions by up to 5%.

2. Environmental Concerns

Regulated substances across its products’ lifecycles

Aerospace manufacturing, operations and maintenance rely on certain regulated substances to achieve a high level of quality, safety and reliability accounting for lengthy product lifecycles. Some of these substances are or may in the future be classified as substances that may pose a risk to human health or the environment. These type of risks depend on many factors such as the category of classification, but also the operational use of these substances under applicable laws/regulations laying down occupational exposure limits, and the lifecycle stage of the products.

If a substance not yet identified is classified in the future as one that may pose a risk to human health or the environment, this may give rise to substantial costs for Airbus to manage it, including, for example, research and development (whether alone or in cooperation with other stakeholders) of suitable alternatives, testing, qualification and certification costs. Any reputational risk and potential claim against Airbus that may result will also need to be managed.

Airbus continues in its activity (also in cooperation with industry stakeholders) to identify new technologies and solutions that avoid use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. Airbus also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector’s safety and lifecycle specificities.

Airbus identifies, tracks and declares regulated substances. The Company has already substituted certain substances of concern or developed replacement technology where suitable alternatives have been found, such as some ozone-depleting substances (ODS), fluorinated gases, or substances of very high concern (SVHCs) under the European regulation REACH. On top of all applicable regulatory requirements, more than 100 substances have been targeted by Airbus for substitution and the Company is always looking for new solutions. For example, Airbus Commercial Aircraft launched the Airbus chromate free project in 2006. The project has so far delivered substitution solutions for a considerable number of usages and continues efforts to substitute the remaining ones. One of the first steps was to deploy chromate-free surface protection systems, with among others, operational changes and replacement within Airbus’ production lines. Over 100 suppliers are now ‘qualified’ to use chromate-free pickling before anodisation.

Within IAEG, Airbus contributed to the creation of the IAEG ‘Aerospace and Defence Declarable Substances List’ (AD-DSL) and the associated declaration standard (IPC-1754). The AD-DSL provides an initial common list of chemicals/substances identified and reviewed by IAEG as used within the aerospace and defence supply chain and thus will make it easier to work with regulatory agencies to appropriately manage regulated substances and chemicals used in manufacturing.

Surface modification by laser is a new technology developed by Defence and Space to replace the use of substances for some processes, notably for pre-treatment before bonding. This technology is now available for some Space Systems applications and is planned to be implemented into the serial production of flight hardware for New Generation Synthetic Aperture Radar satellites (NGSAR).

Environmental impact of Airbus operations

Airbus is engaged in an industrial transformation to anticipate and prepare itself for mid-term evolutions of its industrial systems as well as the longer term solutions to build its “factories of the future”. This Company-wide initiative will support the reduction of Airbus’ environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of hotspots is on-going to help focus on appropriate topics.
Analysis of the current trends shows that the regulatory pressure on the international scene to reduce the environmental footprint of the aerospace industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement). In addition, the expectations of stakeholders (including citizens, investors) are also elements that increase pressure towards low carbon and sustainable production patterns. Since 2015, Airbus has been developing its plan for the next decade to prepare for upcoming regulatory developments, maintaining employee engagement and proposing solutions to stakeholders’ expectations.

Airbus has committed and continues to commit to setting up ambitious short-, mid- and long-term environmental targets. In 2006, Airbus set up the environmental vision for 2020 with goals for reduction of energy consumption, CO₂ emissions, water consumption, VOC emissions and waste production. To fulfill its commitments, Airbus developed innovative projects, continuous improvement mind-set and practices sharing and participates in projects with other stakeholders.

Airbus has also set an extended 2030 Vision, with operational objectives on Airbus manufacturing activities but also encompassing suppliers. Airbus wants to engage in ambitious environmental objectives in its aim to:

- Enhance the use of environmental risk evaluation for consideration as a quantitative input during supplier selection, contracting and auditing phases;
- Divert waste from landfills and incineration;
- Comply with air emissions regulations and absorb ramp up production impacts;
- Comply with GHG emissions regulations (and compatible with the global 2°C trajectory) and absorb ramp up production energy impacts;
- Develop strong maintenance and rehabilitation programs to improve reliability and lower water costs.

To highlight the importance of CO₂ impact in design and operation of plants, an initiative is being developed to set an internal “Carbon Price” to be used in the trade-off between different solutions. This may be used for industrial projects and 2030 Vision would integrate a progressive increase in the Carbon Price as a further carbon-reduction incentive and to bring greater appreciation of the CO₂ impact in the near future.

Airbus monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. The performance linked to 2020 Vision results shows good progress (by reference to a baseline of 2006 at constant revenue and production) in different areas: energy consumption (stationary sources) has decreased by 37%, CO₂ emissions by 42% (scope 1 stationary sources + scope 2 total), while water consumption has been cut by 48% and waste by 41%.

Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators. The current reporting covers Scope 1 and Scope 2 emissions.

<table>
<thead>
<tr>
<th>GRI</th>
<th>KPI</th>
<th>Unit</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN3</td>
<td>Total energy consumption (excluded electricity generated by CHP on site for own use)</td>
<td>MWh</td>
<td>3 893 111</td>
<td>4 098 475</td>
</tr>
<tr>
<td></td>
<td>Energy consumption from stationary sources</td>
<td>MWh</td>
<td>1 395 192</td>
<td>1 357 724</td>
</tr>
<tr>
<td></td>
<td>of which, natural gas consumption</td>
<td>MWh</td>
<td>1 335 263</td>
<td>1 298 639</td>
</tr>
<tr>
<td></td>
<td>distillate fuel oil consumption (Gas oil, Diesel, FOD)</td>
<td>MWh</td>
<td>12 170</td>
<td>13 782</td>
</tr>
<tr>
<td></td>
<td>liquefied petroleum gas consumption</td>
<td>MWh</td>
<td>360</td>
<td>357</td>
</tr>
<tr>
<td></td>
<td>propane consumption</td>
<td>MWh</td>
<td>3 883</td>
<td>1 356</td>
</tr>
<tr>
<td></td>
<td>biomass consumption</td>
<td>MWh</td>
<td>43 517</td>
<td>43 117</td>
</tr>
<tr>
<td></td>
<td>Energy consumption from mobile sources</td>
<td>MWh</td>
<td>1 045 159</td>
<td>1 206 689</td>
</tr>
<tr>
<td></td>
<td>of which, gasoline consumption</td>
<td>MWh</td>
<td>2 769</td>
<td>2 749</td>
</tr>
<tr>
<td></td>
<td>distillate fuel oil consumption (Gas oil, Diesel, FOD)</td>
<td>MWh</td>
<td>27 166</td>
<td>26 020</td>
</tr>
<tr>
<td></td>
<td>liquefied petroleum gas consumption</td>
<td>MWh</td>
<td>118</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>propane consumption</td>
<td>MWh</td>
<td>1 700</td>
<td>1 736</td>
</tr>
<tr>
<td></td>
<td>jet fuel aircraft / kerosene consumption</td>
<td>MWh</td>
<td>1 010 647</td>
<td>1 172 453</td>
</tr>
<tr>
<td>EN4</td>
<td>Total electricity consumption</td>
<td>MWh</td>
<td>1 452 760</td>
<td>1 534 062</td>
</tr>
<tr>
<td>-----</td>
<td>------------------------------</td>
<td>-----</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td></td>
<td>of which, purchased electricity consumption</td>
<td>MWh</td>
<td>1 371 842</td>
<td>1 405 920</td>
</tr>
<tr>
<td></td>
<td>purchased heat/steam</td>
<td>MWh</td>
<td>80 671</td>
<td>127 899</td>
</tr>
<tr>
<td></td>
<td>generated electricity from photovoltaic on-site for own use</td>
<td>MWh</td>
<td>247</td>
<td>242</td>
</tr>
<tr>
<td></td>
<td>generated electricity from other renewable source on-site for own use</td>
<td>MWh</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Generated electricity from CHP on-site for own use</td>
<td>MWh</td>
<td>188 144</td>
<td>190 127</td>
</tr>
</tbody>
</table>
## AIR EMISSIONS

**EN16**

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CO(_2) emissions</td>
<td>tonnes CO(_2)</td>
<td>935 402</td>
<td>1 013 101</td>
</tr>
<tr>
<td>Total direct CO(_2) emissions (Scope 1) (\checkmark)</td>
<td>tonnes CO(_2)</td>
<td>557 447</td>
<td>591 002</td>
</tr>
<tr>
<td>of which, CO(_2) emissions from stationary sources</td>
<td>tonnes CO(_2)</td>
<td>272 679</td>
<td>265 350</td>
</tr>
<tr>
<td>CO(_2) emissions from mobile sources</td>
<td>tonnes CO(_2)</td>
<td>269 493</td>
<td>311 036</td>
</tr>
<tr>
<td>CO(_2) emissions from fugitive sources</td>
<td>tonnes CO(_2)</td>
<td>15 203</td>
<td>14 579</td>
</tr>
<tr>
<td>CO(_2) emissions from processes on site</td>
<td>tonnes CO(_2)</td>
<td>72</td>
<td>37</td>
</tr>
<tr>
<td>Total indirect CO(_2) emissions (Scope 2) (\checkmark)</td>
<td>tonnes CO(_2)</td>
<td>377 955</td>
<td>422 099</td>
</tr>
</tbody>
</table>

## WATER

**EN8**

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water consumption (\checkmark)</td>
<td>m(^3)</td>
<td>3 834 265</td>
<td>4 011 897</td>
</tr>
<tr>
<td>of which, purchased water</td>
<td>%</td>
<td>76,4%</td>
<td>76,5%</td>
</tr>
<tr>
<td>abstracted ground water</td>
<td>%</td>
<td>20,0%</td>
<td>19,3%</td>
</tr>
<tr>
<td>withdrawn surface water</td>
<td>%</td>
<td>3,5%</td>
<td>4,0%</td>
</tr>
<tr>
<td>rainwater collected used</td>
<td>%</td>
<td>0,1%</td>
<td>0,2%</td>
</tr>
</tbody>
</table>

**EN21**

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water discharge</td>
<td>m(^3)</td>
<td>3 464 179</td>
<td>3 416 506</td>
</tr>
<tr>
<td>of which, water discharged via an internal pre-treatment plant</td>
<td>m(^3)</td>
<td>228 428</td>
<td>214 200</td>
</tr>
</tbody>
</table>

## WASTE

**EN22**

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total waste production, excluding exceptional waste (\checkmark)</td>
<td>tonnes</td>
<td>104 505</td>
<td>105 839</td>
</tr>
<tr>
<td>of which, non-hazardous waste</td>
<td>tonnes</td>
<td>77 835</td>
<td>77 073</td>
</tr>
<tr>
<td>hazardous waste</td>
<td>tonnes</td>
<td>26 670</td>
<td>28 766</td>
</tr>
<tr>
<td>waste going to material recovery</td>
<td>tonnes</td>
<td>62 344</td>
<td>61 933</td>
</tr>
<tr>
<td>waste going to energy recovery</td>
<td>tonnes</td>
<td>21 954</td>
<td>21 844</td>
</tr>
</tbody>
</table>

| Material recovery rate \(\checkmark\) | % | 59,7% | 58,5% |
| Energy recovery rate | % | 21,0% | 20,6% |

**EMS certification**

| Number of sites with ISO 14 001 / EMAS certification** | unit | 61 | 61 |

Data audited by Ernst & Young et Associés. Limited assurance report is available on www.airbus.com

2017 data covers 89% of total Company employees.

2016 data correspond to the data validated by the external third party in 2016, without any recalculation to take into account perimeters movements, which can explain some of the observed variances.

* 2017 VOC emissions data is estimated. The consolidated 2017 data will be only be available following publication of the Registration Document.

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

Only 100% consolidated entities are taken into account. The data here results from Airbus’ worldwide reporting campaign, carried out by the Environmental network. Airbus environmental reporting includes all 100% consolidated companies with more than 50 employees, which represent 99% of Airbus’ total workforce. Among these companies, 90% had reporting contributors and tools. Note that some entities with less than 50 employees are taken into account in the reporting, as they are included in bigger entities which report their environmental data.

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**Environmental impact of its products in operation**

AIRBUS REGISTRATION DOCUMENT 2017 - 50
In the last 50 years, the aviation industry has cut fuel burn and CO₂ emissions per seat/kilometre by more than 80%, NOₓ emissions by 90% and noise by 75%. Whilst this performance is impressive, high predicted traffic growth (5% per annum), aviation’s short to medium-term reliance on fossil-based fuels and the potential impacts of non-CO₂ factors, the aviation industry faces a significant challenge in reducing its impact on climate change.

To address the CO₂ challenge, Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to the ATAG CO₂ emission goals:

- Improve fleet fuel efficiency of 1.5% per year by 2020;
- Stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG);
- By 2050, net aviation carbon emissions will be half of what they were in 2005.

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

Progress has been made on the first two of ATAG emission targets:

- By delivering aircraft such as the A350 XWB, 25% more efficient than the previous generation aircraft and the A320neo with -15% to -20% fuel burn compared to A320ceo, the average increase in global fleet fuel efficiency has been over 2% per annum over the last five years.
- Alongside reducing CO₂ emissions, Airbus aircraft also offer significant improvements in both noise and NOₓ emissions reduction: A350 XWB with up to 21dB lower noise and 27% lower NOₓ emission compared to current industry standards, A320neo with up to 20dB lower noise and 50% lower NOₓ emission compared to current industry standards. The new H160 helicopter brings noise levels down by 50% compared to previous generation helicopters.
- The recently agreed ICAO CORSIA will also play an important role in achieving CNG from 2020.

For the ambitious long-term 2050 target, clearly Airbus and the wider industry do not have all the answers today. Such significant reductions will require disruptive approaches in technology (i.e. hybrid electric), significant quantities of low carbon fuels, innovative ways of operating the aircraft (eTaxi, formation flight) and sustainable ways to offset emissions.

In reaching this ambition Airbus is working on a wide range of innovative technologies that have the potential for significant environmental benefits:

- Propulsion Integration: from advanced turbfans to hybrid distributed propulsion (i.e. electrification);
- Aerodynamics: from advanced wingtip devices to natural and hybrid laminar flow;
- Structures: from innovative materials to bionic structures;
- Systems & cabin: from paperless/wireless to more electrical systems;
- Operations: from noise to climate-optimised trajectories;
- Manufacturing: from direct printing to 3-D printing;
- Aircraft configuration: from integrated airplanes to disruptive configurations.

Electrification and hybridisation can bring significant benefits in addressing CO₂, noise and NOₓ emissions. Airbus is driving a step change in air vehicle performance, first through small, short-range vertical take-off and landing (VTOL) urban air mobility demonstrator projects like Vahana and CityAirbus. In the longer term Airbus will also look at larger commercial aircraft.

Airbus’ engagement also extends to promoting the commercialisation of sustainable aviation fuels. For example, in order to make a step towards regular distribution of BioJet, Airbus and Total are working in cooperation to use sustainable fuels on ferry flights from Toulouse to Hong Kong. A biofuel delivery platform has been set-up and is in service in Toulouse.

Recyclability and waste management are important topics that Airbus is tackling in cooperation with other entities. With TARMAC Aerosave, a joint venture between Airbus, SNECMA and Suez, more than 90% of an aircraft weight is today recycled or re-used through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials. Airbus is also investigating with certain operators innovative solutions to improve the in-flight cabin waste management.

**d. Responsible Defence and Space Products**

Airbus works together with states, international organisations and customers to create better defence solutions for a safer and more prosperous world. Its military aircraft, Earth observation satellites and security technologies help protect freedom and democratic values by enabling governments to guarantee their sovereignty and combat changing terrorism threats and cybercrime.

It is one of Airbus’ aims to support the EU/NATO governments in their efforts to make the world a safer place. To fulfil their mission to guarantee sovereignty, security and human rights, these nations require equipment and defence systems that they themselves define. Airbus supports the EU/NATO governments – which constitute the majority of Airbus’ customer base – in this task by supplying the necessary equipment.

Airbus defence technologies can also be used to solve societal challenges. More ways are being explored for observation or communication satellites to contribute to solving some global challenges such as climate change, fast and reliable internet connection or security. Recent projects include:

- Sentinel-5 Precursor, which is part of the joint European Commission–European Space Agency global monitoring programme Copernicus, aims to acquire continuous and accurate Earth observation data and provide services to improve the management of the environment, understand and mitigate the effects of climate change, and ensure civil security.
• Spationav is the coastal protection project of Signalis France, ensuring maritime security in France. Its mission is to protect human life, the coastal environment and French national interests while covering 6,000 kilometres of coastline with 5,000 ships tracked each minute. Spationav is counteracting illegal activities such as smuggling and terrorism.

• The Global Earth Observation Challenge organised by Defence and Space rewarded in October 2017, six start-ups that innovate and develop new applications primarily based on Airbus’ satellite data. Among them, two projects were linked to monitor environmental impacts: Ozius (Australia) creates new landscape intelligence by fusing a variety of remote sensing data to identify where the environmental risks and opportunities occurred in the past, where they are today, and project where they will occur in the future; Kermap (France) uses satellite imagery to support the ecological transition of cities.

• TeSeR is the next EU project to clean up space, which is led by Airbus. Technology for Self-Removal of Spacecraft (TeSeR) aims to reduce the risk of spacecraft colliding with debris in space and provide a sustainable space environment for future generations.

• The OneWeb Satellites JV is building a communications network with a constellation of low Earth orbit (LEO) satellites, with a goal of enabling access to billions of people around the world. With more than 7 terabits per second of new capacity, it aims to transparently extend the networks of mobile operators and ISP’s to serve new coverage areas, bringing voice and data access to consumers, businesses, schools, healthcare institutions and other end users.

Finally, the Airbus Foundation, which will be discussed later in this chapter, is multiplying partnerships in order to leverage Airbus’ know-how and technologies to be applied to the humanitarian sector, with UAVs, satellite imagery and decontamination projects in particular.

1.1.8.3. Responsible Employer

a. Airbus’ Workforce

As of 31 December 2017, Airbus’ workforce amounted to 129,442 employees (compared to 133,782 employees in 2016), 95.8% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2017. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

In 2017, 7,318 employees worldwide were welcomed into Airbus (compared to 7,532 in 2016 and 5,266 in 2015). At the same time, 5,151 employees left Airbus including partial retirements (compared to 4,698 in 2016 and 4,870 in 2015).

In terms of nationalities, 37.3% of Airbus’ employees are from France, 32.1% from Germany, 9.4% from the UK and 9.8% from Spain. US nationals account for 1.9% of employees. The remaining 9.6% are employees coming from a total of 127 other countries. In total, 92.1% of Airbus’ active workforce is located in Europe on more than 100 sites.

Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus’ employees by Division and geographic area, as well as by age, including the percentage of part-time employees.

<table>
<thead>
<tr>
<th>Employees by Division</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus Commercial Aircraft</td>
<td>74,542</td>
<td>73,852</td>
<td>72,816</td>
</tr>
<tr>
<td>Airbus Helicopters</td>
<td>20,161</td>
<td>22,507</td>
<td>22,520</td>
</tr>
<tr>
<td>Airbus Defence and Space</td>
<td>32,171</td>
<td>34,397</td>
<td>38,206</td>
</tr>
<tr>
<td>Airbus former HQ</td>
<td>2,568</td>
<td>3,026</td>
<td>3,032</td>
</tr>
<tr>
<td><strong>Group Total</strong></td>
<td><strong>129,442</strong></td>
<td><strong>133,782</strong></td>
<td><strong>136,574</strong></td>
</tr>
</tbody>
</table>

(1) “Airbus former HQ” includes Headquarters, Shared Services and Innovation Works.

<table>
<thead>
<tr>
<th>Employees by geographic area</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>47,865</td>
<td>47,963</td>
<td>50,810</td>
</tr>
<tr>
<td>Germany</td>
<td>44,214</td>
<td>46,713</td>
<td>47,796</td>
</tr>
<tr>
<td>Spain</td>
<td>13,177</td>
<td>12,682</td>
<td>12,521</td>
</tr>
<tr>
<td>UK</td>
<td>11,304</td>
<td>12,020</td>
<td>12,157</td>
</tr>
<tr>
<td>US</td>
<td>2,707</td>
<td>2,829</td>
<td>2,821</td>
</tr>
<tr>
<td>Other Countries</td>
<td>10,175</td>
<td>11,575</td>
<td>10,469</td>
</tr>
<tr>
<td><strong>Group Total</strong></td>
<td><strong>129,442</strong></td>
<td><strong>133,782</strong></td>
<td><strong>136,574</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Part time employees</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Total</td>
<td>4.2%</td>
<td>4.1%</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Active Workforce by contract type</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited contract</td>
<td>126,534</td>
<td>131,153</td>
<td>133,650</td>
</tr>
<tr>
<td>Limited contract &gt; 3 months</td>
<td>2,908</td>
<td>2,629</td>
<td>2,924</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% Active Workforce by Age</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
</thead>
</table>
### Human Capital Management, Labour Relations and Human Rights

Airbus’ workforce is managed by the HR function thanks to a set of HR policies and a strong labour structure. HR policies are discussed and agreed with social partners through continuous and regular meeting at global and local levels. The current priorities of the Airbus’ HR function are:

- To ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements;
- To facilitate diversity, continuous integration and internationalisation of Airbus and contribute to a common culture based on strong company values;
- To be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

**Labour relations**

Wherever it operates, Airbus wishes to grow its economic success in consideration of common principles and standards consistent with International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which the Company has adopted. The principles are in compliance with the Airbus Standards of Business Conduct and with the International Framework Agreement signed in 2005.

In the International Framework Agreement, Airbus reafirms its willingness to respect the regulation regarding fundamental human rights, equal opportunities, free choice of employment, as well as prohibition of child labour and respect and ensuring the conditions for industrial dialogue.

Airbus in particular intends, via its agreements, to respect the disposition of the following ILO conventions: numbers 111 (discrimination - employee and occupation), 100 (equal remuneration), 135 (workers’ representatives), 29 (forced labour), 105 (abolition of forced labour), 182 (child labour), 138 (minimum age), 87 (freedom of association and protection of the right to organise) and 98 (right to organise and collective bargaining).

The head of each business is responsible for ensuring compliance with these principles and will take appropriate measures to ensure their implementation.

The employees of Airbus will be informed, either orally or in writing, of all the provisions of this framework agreement, in accordance with the relevant legal form and/or local practice.

The provisions of this framework agreement define Airbus’ standards to be applied wherever Airbus operates, insofar as more favourable conditions do not exist already. Airbus central management shall take appropriate measures to eliminate any breach of the aforesaid principles.

Airbus is in continuous dialogue with social partners on its sites in Europe, principally through meetings with management at the European Committee level but also through meetings and negotiations at national or local level. Sites outside Europe are covered by Airbus’ ILA framing the social dialogue and social culture in line with local labour legislation, culture and practices of respective countries.
Regular social dialogue is ensured as per ILO requirements and local legislation thanks to Airbus’ Societa Europea Work Council (SEWC) agreement in 2015. In 2016, for example, Airbus organised 16 meetings with SEWC while the agreement stipulates three mandatory meetings per year.

Human Rights

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain.

Airbus is committed to promote awareness through internal communication initiatives and awareness sessions and to train its employees worldwide on potential risks. Related risks will now be monitored via the Airbus ERM process throughout the entire Company. Finally, subject to regulatory approval, Airbus intends to extend its existing OpenLine to concerns related to human rights and fundamental freedom.

Airbus acknowledges its role in promoting responsible business practices worldwide. To that end Airbus now seeks to identify risks related to human rights violations in its ERM system. Risk evaluation will start in 2018. KPIs as part of Airbus’ commitments related to the UK Modern Slavery Act will be identified in 2018. Human rights is also a topic addressed in the Airbus Supplier R&S Programme.

2017 Achievements

In 2017, Airbus provided more than 1.7 million training hours. Moreover, in 2017 more than 42,000 employees benefitted from the development, evaluation and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the Company’s approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the culture evolution and human transformation in Airbus.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of Training Hours</td>
<td>*</td>
<td>2,320,508</td>
<td>2,264,145</td>
</tr>
<tr>
<td>Total number of Training Participants</td>
<td>*</td>
<td>214,819</td>
<td>226,692</td>
</tr>
<tr>
<td>Number of Classroom Training**</td>
<td>161,419***</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Number of Digital Learning**</td>
<td>193,200***</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Data audited by Ernst & Young et Associés. Limited assurance report is available on www.airbus.com

** Change of reporting in 2017, no numbers reported for 2017.
*** New reporting scope since 2017. 51.7% digital learning in the 2017 learning plan (Active Workforce from fully-consolidated entities at 31 December 2017).

On a more restrictive HR perimeter (Active Workforce from fully-consolidated entities at 31 December 2017), the number of training sessions are the following:

- Number of classroom training: 134,427 ✓
- Number of digital learning: 144,624 ✓

Mobility of employees within or across Divisions is one of the main priorities for the overall benefit of the Company. In 2017, more than 11,000 employees changed jobs cross-divisionally and cross-country. For reference, Airbus has an attrition rate of 2.7% for its core entities and 4.0% when its subsidiaries are included.

In order to drive its digital transformation, Airbus aims to create a people-centric and trusting working environment. Launched at the end of 2015, a company transformation programme called PULSE has been designed to support the people aspects of the business transformation with the objective to increase empowerment, accountability and collaboration through digitally-powered capabilities, reworked HR policies and new ways of working.

In 2017, all Airbus employees were invited to select the Company’s values. This inclusive consultation exercise included employees from 17 countries. Around 55,000 employees took part in this campaign and defined the Company’s six core values: Integrity, ‘We are One/Team work’, Customer focus, Creativity, Respect and Reliability.

At Airbus recognition of excellence is key. In 2017, over 1,000 projects were submitted company-wide to participate in the Awards for Excellence scheme. The aim is to reward employees and teams for exceptional achievements, their ways of working and their contribution to improving business performance.

Airbus additionally launched its first Dream Big Challenge, inviting employees to propose new products, business and services ideas. Over 700 ideas were submitted in 2017. Following a summit held in November, the three most promising projects were selected to be developed further in incubators and during dedicated worldwide learning expeditions to Airbus’ BizLabs.

c. Health & Safety

To sustain its commercial success, attract the best talent and be known as a safe and healthy workplace, it is Airbus policy to continuously reinforce health and safety as part of the business culture, delivering responsible health and safety management that sustainably reduces risk to people, the environment and the business. The purpose of the Airbus health and safety policy is to:

- Demonstrate commitment to good management control of health and safety;
- Describe the guiding principles for health and safety management;
- Integrate health and safety into company culture, strategy, processes, objectives, and decisions;
d. Inclusion & Diversity

Airbus is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone’s unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company. But the demographics of the world are changing, and this change impacts Airbus because it affects customers, suppliers, employees and Airbus’ candidate pool. Airbus must face the 21st century’s challenges with 21st century people and solutions.

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

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

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

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

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

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

Finally, Airbus offers a wide scope of trainings supporting I&D initiatives and has also embedded a diversity aspect in leadership programmes.

As far as the Airbus Board of Directors is concerned, Airbus is moving in the right direction with 3 women in 2017 compared to not a single woman on the Board in 2013. They are Catherine Guillouard, Claudia Nemat, María Amparo Moraleda Martínez.

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

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
<th>31 December 2015</th>
</tr>
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<tbody>
<tr>
<td>Women in active workforce</td>
<td>17.5%</td>
<td>17.2%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Women in management positions</td>
<td>12.4%</td>
<td>11.4%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

The % of women in management positions only applies to the top 4% of the active workforce.

1.1.8.4. Responsible Business

a. Ethical Business Practices

Leading by example

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

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

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

Airbus also announced the appointment of an Independent Compliance Review Panel (ICPR) composed of eminent external consultants to help Airbus further improve its processes. The ICPR members are Lord Gold from the UK, Noëlle Lenoir from France and Theo Waigel from Germany. All well-versed in compliance monitoring of large corporations, they will have access to all levels of the Company and will report to the Airbus CEO and Board on how to further improve Airbus’ compliance processes, policies, organisation and culture.

Compliance is at the heart of everything Airbus does today – Airbus is putting significant resources and effort into supporting the coordinated criminal investigations by the UK Serious Fraud Office (SFO) and France’s Parquet National Financier (PNF). For further information on the investigations, see “— 1.1.7 Legal and Arbitration Proceedings”.

Our Commitment

Over the years, Airbus has earned the trust of passengers, customers, operators and other stakeholders through the quality and safety of our products. To fully serve our communities and thrive in the future, our commitment to business integrity must be just as robust – this means conducting our business ethically and based on Airbus values, and in compliance with all laws and regulations.

As part of this commitment, Airbus supports the principles of the UN Global Compact and IFBEC’s Global Principles of Business Ethics which set a benchmark for high ethical standards globally.

Our Standards

The foundation for integrity at Airbus is the Standards of Business Conduct. These Standards are intended to guide daily behaviour and help employees resolve the most common ethical and compliance issues that they may encounter.

The Standards of Business Conduct apply to all employees, officers and directors of Airbus as well as entities that Airbus controls. Third-party stakeholders whom Airbus engages are also expected to adhere to these Standards of Business Conduct in the course of performing work on our behalf.

Our Programme

While the Standards of Business Conduct provide a useful starting point, they cannot answer all questions, nor are they sufficient to ensure that Airbus complies with the myriad legal requirements applicable to its business. Because of this, Airbus has worked over the past several years to develop an Ethics & Compliance programme that is structured around four key risk areas: Business Ethics/Anti-Corruption Compliance, Export Compliance, Data Protection Compliance and Procurement Compliance.

Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.
Improving the programme is a constant and ongoing process, not only in the area of Business Ethics/Anti-Corruption but across the ethics and compliance spectrum more generally in order to capitalise on our values.

Business Ethics/Anti-Corruption Compliance

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

The Anti-Corruption Policy (available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-Anti-Corruption-Policy.pdf) summarises its stance of zero tolerance. It also refers to some of the specific directives Airbus has adopted to address key anti-corruption risk areas, such as the engagement of third parties, gifts and hospitality exchange and the making of sponsorships and donations.

More broadly, Business Ethics at Airbus also covers other areas such as conflicts of interest, anti-competitive conduct, insider trading, fraud, etc., while also complementing the Airbus Corporate Social Responsibility programme which focuses on managing the social and environmental impacts of Airbus’s operations.

Export Compliance

Each of the countries in which Airbus does business has controls on the export and transfer of its goods and technologies that are considered to be important to national security and foreign policies. As a global enterprise, it is Airbus’ responsibility to respect and comply with each of these controls. The Export Compliance Directive defines its policies, processes and organisation to ensure compliance with all relevant export control laws and regulations.

Data Protection Compliance

Airbus is required to handle personal data in accordance with applicable data privacy laws at national, European and international level. In doing so, Airbus seeks to apply a consistent approach, by setting data security standards for personal data processing in line with global best practice. This is embodied in part by its Binding Corporate Rules (available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Airbus-Group-BCR-Airbus%20Group%20BCR%20.pdf), which provide a consistent level of protection for various personal data throughout Airbus.

Procurement Compliance

Airbus suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in a manner compatible with the Airbus Supplier Code of Conduct (available at http://company.airbus.com/dam/assets/airbusgroup/int/en/group-vision/ethics-compliance/documents/Supplier-Code-of-Conduct/Supplier%20Code%20of%20Conduct.pdf). Suppliers are also expected to cascade these principles through their own supply chain. For further information see “— Responsible Suppliers” below.

Our E&C Organisation

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

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

New and Updated Policies

In January 2017, Airbus published a directive defining the requirements for sponsorships, donations and memberships. The directive establishes a Company-wide framework and provides guiding principles and clear instructions on how to request, approve and record contributions.

In February 2017, Airbus published a directive defining the requirements for the prevention of corruption in the engagement of lobbyists and special advisors. The purpose of the directive is to ensure that Airbus’ political engagement through lobbyists or special advisors remains fully transparent and ethical, and facilitates Airbus’ compliance with all applicable laws.

In June 2017, an updated version of the Airbus Standards of Business Conduct was published, to comply with the requirements of France’s new Sapin II law. The updated version defines both bribery and influence peddling, and provides illustrations of each. Changes were also made to cross-refer to the Airbus Anti-Corruption Policy, and to include a new section on Anti-Money Laundering.

In June 2017, an updated version of the Airbus OpenLine Policy was also published, to enhance the provisions to protect the whistleblower from retaliation in line with Sapin II.


In October 2017, Airbus published a directive defining the requirements for identifying and mitigating corruption risks in connection with M&A, JV and similar transactions. This directive is intended to help ensure a consistent approach to these matters across Airbus.

Our Awareness and Training

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

In 2017, Airbus conducted 84,273 Ethics & Compliance digital training sessions.
b. Responsible Suppliers

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

1. Procurement at Airbus

More than 15,000 suppliers from more than 100 countries supply parts, components or sub-systems to Airbus. In 2016, Airbus spent around €49 billion with its suppliers. The Procurement function is improving its performance through creating a more integrated, effective and lean organisation. It aims at increasing harmonisation of internal and supplier-related processes, job profiles, training processes and tools.

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

2. Responsible Supplier Management

As a global leader in aeronautics and space, Airbus has taken a commitment to conduct its business responsibly and with integrity. Taking into consideration the level of outsourcing at Airbus, the supply chain is an integral part of Airbus’ ecosystem and the Company is therefore committed to ensure that, as far as possible within its own scope of responsibility and legal obligations, potential adverse impacts of Airbus activities are managed. The Procurement function is ISO 14001 certified as part of the global Airbus environmental certification.

The Airbus Supplier Code of Conduct is the document of reference for Airbus’ responsible supplier management. This Code represents the group wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). It has been developed with the International Forum on Business Ethical Conduct (IFBEC) in 2015 in the form of a Model Supplier Code of Conduct. Airbus is proud to be a co-founder of IFBEC, which supports the application of global standards for business ethics and compliance in the aerospace and defence industries. Airbus implemented the IFBEC Model Supplier Code of Conduct in its entirety as the Airbus Supplier Code of Conduct in 2016.

The Supplier Code of Conduct was sent to the 12,000 main suppliers across the world with a letter from the Airbus’ Chief Procurement Officer and the Airbus General Counsel requesting a commitment to the Code. Airbus expects its suppliers to comply with the key values set out in this Code and to conduct business in accordance with all applicable laws and regulations of their operating markets, the countries in which operations are managed, or services provided. Suppliers are also expected to cascade these principles throughout their own supply chains.

Supplier Quality Audits and Supplier Mapping

Supplier audits and assessments support the goal of ensuring that supplier deliveries meet Airbus’ specific requirements. Suppliers whose activities impact the airworthiness of Airbus products are assessed annually, with five areas of performance evaluated: quality, logistics, customer support, commercial performance and technical performance. Around 1,000 audits and assessments have been performed in 2016 for Airbus’ commercial aircraft business.

As part of supplier management activities in the field of quality, Airbus Commercial Aircraft has put in place, the Supplier Mapping tool with multiple capabilities, notably to identify Airbus supply chain sub-tiers and support identification of risks of supplier non-performance. In 2016, a total of 6,904 suppliers from 58 countries were identified by the Supplier Mapping tool of which 1,007 were tier-one suppliers, 5,452 second tier suppliers, 445 other tier levels. A total of 97,537 activities were involved and 40 quality alerts resulted from 550 analyses and reports. The alerts were managed internally by the Procurement supply chain management department.

Ethics & Compliance Supplier Watchtower

The Ethics & Compliance Supplier Watchtower is managed by the Procurement Compliance department proactively checking specific suppliers for compliance aspects.
Suppliers are checked depending on the risks linked to their country of registration. The risk rating of countries is defined by the Procurement Compliance department and updated regularly. Criteria comprise export restrictions and responsibility and sustainability-related elements such as anti-corruption, human and labour rights.

Supplier Integrity Checks investigate compliance concerns which are triggered by certain business relationships. Such concerns are comprised of, for the company or its ownership, among others: legal investigations or judgments, negative press reports, incidents of corruption, listings on sanction lists/blacklists, proximity to governments or risky entities (shareholders, customers, beneficial owners and subsidiaries). In case a Supplier Integrity Check yields concerns, a Procurement management meeting is held to discuss potential additional due diligence measures and mitigation actions. About 700 Supplier Integrity Checks were conducted in 2017 (about 600 in 2016).

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

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

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

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

Current standard procurement contracts include requirements for suppliers to comply with all applicable laws and regulations regarding production, products and services and requirements for suppliers to provide information on substances used in manufacturing processes, contained in their products and on environmental, health and safety matters, including information to enable safe use, for management of the product across its lifecycle (including waste management). Suppliers are also requested to implement an Environmental Management System which shall consider continuous improvement through the mitigation of significant environmental aspects and impacts, including air emissions (e.g., Greenhouse Gas, Volatile Organic Compounds); waste, water discharges, raw material consumption.

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

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

**Zero Tolerance Approach to Modern Slavery in Supply Chain**

Airbus has a zero tolerance approach to modern slavery within its business, its operations and within its supply chain. In June 2017, Airbus published its first public statement on modern slavery as per the requirements of the UK Modern Slavery Act 2015.

Recognising that modern slavery could occur in all areas of its value chain, Airbus has set up a Modern Slavery Steering Group within its UK business. The remit of this cross-functional group is to support and drive Airbus’ approach to reducing the risk of modern slavery in its supply chain, and ensure that policy decisions and activities are coordinated, well led and effective.

The Airbus Supplier Code of Conduct includes the requirement to adhere to regulations prohibiting human trafficking and forced or indentured labour. In 2016 and 2017, Airbus held awareness sessions with key people working in its UK Procurement teams on modern slavery. Those sessions included information, guidance and advice on identifying potential risks in the supply chain. More in-depth training sessions took place in 2017 to include key teams in high risk areas, along with on-line training, information bulletins and news articles bringing this important subject to the attention of the wider workforce.

The Airbus “Procurement Academy” provides training on core competences and skills to develop procurement expertise. The Academy has introduced a complete set of common training solutions, covering the full range of supply chain topics, including an external qualification. Additionally, training is offered to suppliers around the world. The Procurement Academy also develops innovative development solutions to prepare Procurement employees to future challenges such as talent development programme, shaping the jobs of the future and connect with the Procurement community on end to end activities.

**Promoting disability friendly companies**

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

At the end of 2016, the global volume of business with disability friendly companies in France was 37 million euros with an increase of 30% compared to 2015 for the whole of Airbus in France. 51 disability friendly companies are working with Airbus compared to 10 in 2010. An extension of this project to Airbus sites in Spain and Germany is planned based on the same philosophy: create jobs for people with disabilities in specialised companies.

3. **Moving forward: Airbus Supplier R&S Compliance Programme: Vigilance Plan**
To deliver parts, components, sub-systems or services, quality, reliability and economic efficiency is key to its operations. However, Airbus believes that this should not be at any cost and as such is committed to engage in due diligence actions with its suppliers with regard to issues of Responsibility and Sustainability.

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

Willing to encourage development of responsible suppliers and manage the potential adverse impacts of its activities as well as to create new opportunities, in 2017 Airbus launched a Supplier R&S Compliance Programme, following international guidance such as the OECD guidance on responsible business conduct. The programme has also been designed to increase supplier awareness in these areas to facilitate suppliers’ compliance with applicable regulations requiring risk identification and management related to corporate social responsibility (CSR) including environment, health and safety, human rights and anti-corruption matters.

The Supplier R&S Compliance Programme initiated and defined in 2017 will continue and evolve year on year on the principle of continuous improvement. The Supplier R&S Compliance Programme has been presented to and reviewed by the Procurement Executive Team led by the Airbus Chief Procurement Officer.

The Supplier R&S Compliance Programme and its activities are managed by the Airbus Procurement Compliance department, together with relevant Airbus Procurement stakeholders. To this end, the existing Airbus Procurement environmental network with representatives from the different Procurement categories of purchase has been extended to cover other CSR-related topics. The aim of this network is to ensure that the entire Airbus Procurement community is made aware of CSR-related topics and support the identification of risks according to the category of purchase. The Airbus Procurement R&S network can also support initiating cooperation with suppliers as well promoting industry-recognised practices. Additional governance exists with the R&S, Legal and Ethics & Compliance departments.

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

A. **CSR-related risk identification and evaluation**

All Procurement related risks are embedded into the company’s ERM system. A specific risk category regarding CSR-related risks in the supply chain has been integrated into the ERM system.

The Procurement function supported by the Procurement risk department manage ERM in procurement fields, as well as due diligence issues to top management. Along with identification and reporting of CSR-related risks, a proactive supplier risk mapping is being performed in line with international guidance. Such risk mapping results from both a country and a purchasing category approach. The CSR-related risks levels per category of purchase have been analysed and reviewed with the relevant Procurement commodities.

This supplier risk mapping aims to detect areas where procurement activities are exposed to significant potential risks. With those suppliers linked to higher risk activities, specific actions started in 2017 will continue to be implemented in 2018. Such mitigation actions currently include the performance of Supplier Integrity Checks (see previously mentioned part on Ethics & Compliance Supplier Watchtower). New mitigation actions such as supplier evaluation will be implemented following a period of trial phase.

**B. R&S in supplier selection and contracting**

For the last few years, Procurement standard contracts have evolved to include clauses requiring suppliers to comply with all applicable laws and regulations as well as clauses on specific topics such as environment. In 2018, a more detailed clause on anti-corruption will be incorporated into procurement contract templates to further specify Airbus’ requirements in this domain.

Furthermore, Airbus is currently evaluating how to reinforce CSR-related requirements such as those on Human Rights, along the selection and contracting phase with suppliers. During the call for tender phase, results of the CSR-related risk assessment will be used to require further supplier evaluation if deemed necessary.

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

**C. Supplier evaluation and continuous improvement**

Supplier CSR-related evaluation assesses the compliance of suppliers with Airbus requirements in these fields and allows the identification and integration into Airbus requirements of potential supplier improvement actions. Airbus is currently defining the options for supplier CSR-related evaluation and audits and how to integrate these activities to existing supplier assessment activities, such as supplier self-evaluation, desktop review or onsite audits. Airbus is also exploring potential solutions for the wider aerospace and defence sector via its participation to sector national associations. Once defined and approved, a trial phase will be performed with specific sample of suppliers. Clear guidance on how to manage audit results will be integrated into the relevant Procurement processes.

From 2018 onwards, Airbus will strive to implement the above four elements, deploying corresponding targets for each of them. The programme is integrated into Airbus’ Procurement strategy and is discussed and reviewed by a Steering Committee composed of the Executive Committee of Procurement.

**D. R&S in the Procurement process**

Airbus is currently assessing all Procurement processes and tools in order to integrate CSR-related requirements where relevant. This will lead in 2018 to the adaptation of Procurement process documentation managed by the Procurement strategy teams. Key documentation such as the Airbus Supplier Code of Conduct or Supplier Integrity Check application will be embedded into the Procurement tools, such as eProc.

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

1. Local Involvement

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

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

Today Airbus undertakes a large number of sponsorship and donation projects across the globe and contributed to more than 900 initiatives in 58 countries in 2017.

2. Volunteering at Airbus

In 2017, Airbus mapped the volunteering force of its employees worldwide. Mid-2017, about 5,000 Airbus employees were involved in volunteering for 85 initiatives contributing to the following SDGs:

- SDG 2: Zero Hunger
- SDG 3: Good Health and Well-being
- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 10: Reduced Inequalities
- SDG 13: Climate action
- SDG 15: Life on Land

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

3. The Airbus Foundation

"With the Airbus Foundation, we reach out to a large population, inspiring young people and supporting humanitarian missions around the globe. I would like to thank Airbus employees for their passion in serving our communities.” Tom Enders, Airbus CEO

Based in Toulouse, the Airbus Foundation has a socio-economic footprint worldwide. Its goal is to support the international aid organizations in regions where the company operates and beyond. The Airbus Foundation brings products and resources, from relief flights to satellite imagery, to the humanitarian aid community to help alleviate some of the world’s most pressing challenges. In parallel, the Foundation invests in communities around the world with the aim of inspiring and encouraging youth development through contact with the aerospace industry.

Through its Humanitarian Flight Programme, the Foundation offers Airbus customers to use the delivery of their new aircraft to contribute to humanitarian efforts. By doing so, the programme helps the humanitarian community reduce its high logistics costs by delivering medical and school supplies, food, water sanitation equipment, toys, clothing and emergency response units to the most vulnerable around the world. The Programme also utilizes, where possible, Airbus flight test aircraft for such missions. Since its launch in 2008, Airbus Foundation has coordinated 61 humanitarian flights, delivering approximately 800 tonnes of aid in over 25 countries. In addition, during the very first hours of a crisis, Airbus Helicopters is able to save people from harmful situations as well as support on ground rescuers to assess emergency situations. Since 2012 over 345 helicopters flight hours have been chartered in 11 countries, amounting to 490 000€. Over the years the foundation also trained about 700 doctors and rescuers, enabling them to operate the Company’s helicopters to ensure the development of Emergency Medical Services around the world. Finally, satellite images can be used to assist humanitarian organisations in the wake of a crisis in a number of ways. In August 2017, a Foundation branded satellite portal was opened, providing free of charge access to satellite imagery to selected partners with whom we have entered into partnerships. Access has been granted to IFRC and is planned for UN WFP and MSF.

Since the launch its youth development activities in 2012, more than 8,000 young people worldwide were involved with the aim to help them prepare for tomorrow’s challenges. More than 1,200 Airbus volunteers worldwide supported these inspiring programmes and in doing so have developed their own skills. One of its flagship programmes, the Flying Challenge, focuses on young people who are at risk of dropping out of the educational system and subsequently missing training and employment opportunities. The programme has been deployed in fourteen Airbus sites across France, Germany, Spain, the UK and the US.

With programmes like the Airbus Foundation Little Engineer and Discovery Space, the Foundation uses aerospace to spark an interest in science, technology, engineering and mathematics (STEM), facilitating the access to STEM skills for thousands of young minds around the world.

For more information, please refer to the latest Airbus Foundation Activity Report, which is available at www.airbus.com.
4. Development Pact between Airbus and Toulouse

At the local level, on 5 June 2016, Airbus CEO Tom Enders and Jean-Luc Moudenc, President of Toulouse Métropole, signed the economic attractiveness and development pact between Airbus and Toulouse Métropole, strengthening the cooperation that has been in place for nearly 50 years. The goal of the pact is to create the conditions required for maintaining the attractiveness and long-term sustainability of Airbus’ sites in Toulouse, and those of its partners, and to favour the development of Toulouse’s innovation ecosystem.

Airbus directly employs nearly 28,000 people in the Toulouse area. The commercial aviation site includes the Company’s operational headquarters, its design offices and final assembly lines for the A320, A330, A380 and A350, and is the largest industrial site in France with a total surface area of 650 hectares. Every day, more than 41,000 people enter and leave this site.

This activity feeds a network of more than 1,500 suppliers working at every level, temporary staff and customers, and represents more than 50,000 employees. Furthermore, the metropolitan area has secondary education and university opportunities needed for recruitment purposes: vocational baccalaureates, baccalaureate + 2-years training courses, engineering degrees and specialised training. The many research laboratories make it possible to establish a number of partnerships in a variety of areas.

As the attractiveness of a region does not concern the economic and technological fields alone, Airbus and Toulouse Métropole are working together on the metropolitan area’s attractiveness from the point of view of lifestyle and quality of life, the excellence of its school, universities and medical facilities, the cultural heritage, the quality and variety of cultural amenities and events. For example, Stade Toulousain represents the French Occitanie region where Airbus has been supporting the local community’s work-life balance through its sponsorship of the team since 1983. Team spirit, engagement, respect and a taste for challenge: these values unite Airbus and the rugby club Stade Toulousain.

Airbus provides support for the amenities related to scientific, technical and industrial culture such as Aeroscopia, the Cité de l’Espace and the Quai des Savoirs.
1.2 Recent Developments

On 7 February 2018, Airbus has signed a DOI with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxembourg) defining the framework for achieving a mutually binding contract amendment later in the year (please refer to the “— Notes to the IFRS Consolidated Financial Statements — Note 5: Revenues and Gross Margin”).

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

On 7 March 2018, Airbus announced the finalisation of the sale of Plant Holdings, Inc., which holds the Airbus DS Communications Inc. business, to Motorola Solutions after receiving the required regulatory approvals. This divestment is part of the portfolio reshaping within the Airbus Defence and Space Division announced in September 2014.

On 7 March 2018, following the previously announced changes to the A380 and A400M delivery plans, Airbus confirmed the formal adjustment of production rates for its A380 and A400M programmes. The new plan, which was presented to the European Works Council today, involves the production of six A380s per year starting from 2020 and eight A400Ms per year, also as of 2020.
2.

Management’s Discussion and Analysis of **Financial Condition and Results of Operations**

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 employees) 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:

<table>
<thead>
<tr>
<th>Year ended</th>
<th>Average</th>
<th>Year-End</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€/US$</td>
<td>€/£</td>
</tr>
<tr>
<td>31 December 2015</td>
<td>1.1095</td>
<td>0.7259</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>1.1069</td>
<td>0.8195</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>1.1297</td>
<td>0.8767</td>
</tr>
</tbody>
</table>

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 8 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. No further details can be added at this stage. 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 7 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, Luxembourg) 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 program 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 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: in 2018, Airbus Commercial Aircraft expects to deliver around 800 commercial aircraft, which depends on engine manufacturers meeting commitments. Based on around 800 deliveries, before M&A, Airbus expects a significant increase in EBIT Adjusted compared to 2017. Free Cash Flow is expected to be similar to 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.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Intake (net)</td>
<td>143,361</td>
<td>114,938</td>
<td>139,062</td>
</tr>
<tr>
<td>Order Book</td>
<td>950,354</td>
<td>1,010,200</td>
<td>952,450</td>
</tr>
<tr>
<td>Revenues</td>
<td>50,958</td>
<td>49,237</td>
<td>45,854</td>
</tr>
<tr>
<td>EBIT</td>
<td>3,428</td>
<td>1,543</td>
<td>2,287</td>
</tr>
<tr>
<td>in% of revenues</td>
<td>6.7%</td>
<td>3.1%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Airbus Helicopters

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

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Intake (net)</td>
<td>6,544</td>
<td>6,057</td>
<td>6,168</td>
</tr>
<tr>
<td>Order Book</td>
<td>11,201</td>
<td>11,269</td>
<td>11,769</td>
</tr>
<tr>
<td>Revenues</td>
<td>6,450</td>
<td>6,652</td>
<td>6,786</td>
</tr>
<tr>
<td>EBIT</td>
<td>337</td>
<td>308</td>
<td>427</td>
</tr>
<tr>
<td>in% of revenues</td>
<td>5.2%</td>
<td>4.6%</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Intake (net)</td>
<td>8,893</td>
<td>15,393</td>
<td>14,440</td>
</tr>
<tr>
<td>Order Book</td>
<td>37,407</td>
<td>41,499</td>
<td>42,861</td>
</tr>
<tr>
<td>Revenues</td>
<td>10,804</td>
<td>11,854</td>
<td>13,080</td>
</tr>
<tr>
<td>EBIT</td>
<td>212</td>
<td>(93)</td>
<td>736</td>
</tr>
<tr>
<td>in% of revenues</td>
<td>2.0%</td>
<td>(0.8)%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount in €bn</td>
<td>In percentage</td>
<td>Amount in €bn</td>
</tr>
<tr>
<td>Airbus Commercial Aircraft(2)</td>
<td>950.4</td>
<td>95.1%</td>
<td>1,010.2</td>
</tr>
<tr>
<td>Airbus Helicopters</td>
<td>11.2</td>
<td>1.1%</td>
<td>11.3</td>
</tr>
<tr>
<td>Airbus Defence and Space</td>
<td>37.4</td>
<td>3.8%</td>
<td>41.5</td>
</tr>
<tr>
<td>Total Divisional backlog</td>
<td>999.0</td>
<td>100%</td>
<td>1,063.0</td>
</tr>
<tr>
<td>Other / HQ / Consolidation</td>
<td>(2.2)</td>
<td>(2.6)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Total</td>
<td>996.8</td>
<td>1,060.4</td>
<td>1,005.9</td>
</tr>
</tbody>
</table>

(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, i.e. new net orders in units divided by deliveries in units), however, contributed positively. Order intake consisted of 1,109 net orders in 2017 (as compared to 731 in 2016), driven mainly by the A320 Family, which received 1,054 net firm orders (926 A320neo and 128 A320ceo). Total order backlog at Airbus 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 sustenance 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.

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount in €b(1)</td>
<td>In percentage</td>
<td>Amount in €b(1)</td>
</tr>
<tr>
<td>Backlog:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Sector</td>
<td>959.9</td>
<td>96%</td>
<td>1,020.6</td>
</tr>
<tr>
<td>Defence Sector</td>
<td>36.9</td>
<td>4%</td>
<td>39.8</td>
</tr>
<tr>
<td>Total</td>
<td>996.8</td>
<td>100%</td>
<td>1,060.4</td>
</tr>
</tbody>
</table>

(1) Including “Other / HQ / Consolidation”.

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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.

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

2.1.3.4 EBIT Adjusted by Division

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

2.1.3.5 EBIT by Division

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

(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 efforts which have globally supported the Division’s competitiveness in a challenging market and lower impact from past Super Puma grounding. This was
reduced by lower deliveries, an unfavourable mix and lower commercial flight hours in services and perimeter change, following the
divestment of the maintenance, repair and overhaul business Vector Aerospace in November.

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

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

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

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.

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

For 2017, consolidated revenues were stable at €66.8 billion, an 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.

<table>
<thead>
<tr>
<th>Number of aircraft</th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>A320 Family</td>
<td>558</td>
<td>545</td>
<td>491</td>
</tr>
<tr>
<td>A330</td>
<td>67</td>
<td>66</td>
<td>103</td>
</tr>
<tr>
<td>A350 XWB</td>
<td>78</td>
<td>49</td>
<td>14</td>
</tr>
<tr>
<td>A380</td>
<td>15</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>718</td>
<td>688</td>
<td>635</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Number of aircraft</th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light</td>
<td>166</td>
<td>177</td>
<td>178</td>
</tr>
<tr>
<td>Medium</td>
<td>178</td>
<td>165</td>
<td>124</td>
</tr>
<tr>
<td>Heavy</td>
<td>48</td>
<td>57</td>
<td>77</td>
</tr>
<tr>
<td>of which NH90</td>
<td>40</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>Tiger</td>
<td>17</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>409</td>
<td>418</td>
<td>395</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Number of aircraft</th>
<th>Year ended 31 December 2017</th>
<th>Year ended 31 December 2016</th>
<th>Year ended 31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>A400M</td>
<td>19</td>
<td>17</td>
<td>11</td>
</tr>
<tr>
<td>A330 MRTT (Tanker)</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Light &amp; Medium aircraft</td>
<td>7</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>Telecom satellites</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>34</td>
<td>39</td>
</tr>
</tbody>
</table>

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 (in 2017: €0 million).

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 French corporate tax surcharge and the reduction in deferred tax asset due to the income tax rate decrease in the US, both enacted end of 2017. This was partially offset by the disposal of the defence electronics business, which is taxed at a reduced rate. Without these impacts, the effective tax rate would be approximately 26%. 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.

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

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 Statements of Financial Position). Net cash position is an alternative performance measure and an indicator that allows the Company to measure its ability to generate sufficient liquidity to invest in its growth and future expansion, honour its dividend policy and maintain financial flexibility. The net cash position as of 31 December 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".

2.1.6.1 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.

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

(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, Airbus 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

<table>
<thead>
<tr>
<th>31 December 2016</th>
<th>1,657</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>726</td>
</tr>
<tr>
<td>Disposals</td>
<td>-143</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
</tr>
<tr>
<td>31 December 2017</td>
<td>1,516</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward Rates (in US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>€/US$</td>
<td>1.25</td>
<td>1.24</td>
<td>1.22</td>
<td>1.23</td>
<td>1.24</td>
<td>1.24</td>
</tr>
<tr>
<td>£/US$</td>
<td>1.53</td>
<td>1.46</td>
<td>1.37</td>
<td>1.36</td>
<td>1.36</td>
<td>1.36</td>
</tr>
</tbody>
</table>

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.
2.3 Statutory Auditors’ Fees

Please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 37: Auditor Fees”.

2.4 Information Regarding the Statutory Auditors

<table>
<thead>
<tr>
<th>Ernst &amp; Young Accountants LLP</th>
<th>Date of first appointment</th>
<th>Expiration of current term of office</th>
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<tr>
<td>Boompjes 258</td>
<td>28 April 2016</td>
<td>11 April 2018</td>
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<td>3011 XZ Rotterdam</td>
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<td>3000 AL Rotterdam</td>
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<td>The Netherlands</td>
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<tr>
<td>Represented by A.A. van Eimeren</td>
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* A resolution will be submitted to the Annual General Meeting of Shareholders in 2018, in order to appoint Ernst & Young Accountants LLP as the Company’s auditors for the 2018 financial year.

Ernst & Young Accountants LLP has a licence from the AFM to perform statutory audits for Public Interest Entities and its representative is member of the NBA (Koninklijke Nederlandse Beroepsorganisatie van Accountants - the Royal Netherlands Institute of Chartered Accountants. The NBA is the professional body for accountants in the Netherlands).
3.

General Description of the Company and its Share Capital

3.1 General Description of the Company

3.1.1 Commercial and Corporate Names, Seat and Registered Office

Commercial Name: Airbus
Statutory Name: Airbus SE
Registered Office: Mendelweg 30, 2333 CS Leiden, The Netherlands
Seat (statutaire zetel): Amsterdam
Tel: +31 (0)71,5245,600
Fax: +31 (0)71,5232,807

3.1.2 Legal Form

The Company is a European public company (Societas Europaea), with its seat in Amsterdam, The Netherlands and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. As a company operating worldwide, the Company is subject to, and operates under, the laws of each country in which it conducts business.

3.1.3 Governing Laws and Disclosures

The Company is governed by the laws of the Netherlands (in particular Book 2 of the Dutch Civil Code and the Dutch Corporate Governance Code) and by its Articles of Association (the “Articles of Association”).

The Company is subject to various legal provisions of the Dutch Financial Supervision Act (Wet op het financieel toezicht) (the “WFT”). In addition, given the fact that its shares are admitted for trading on a regulated market in France, Germany and Spain, the Company is subject to certain laws and regulations in these three jurisdictions. A summary of the main regulations applicable to the Company in relation to information to be made public in these three jurisdictions, as well as the Netherlands, is set out below.

3.1.3.1 Periodic Disclosure Obligations

Pursuant to Directive 2004 / 109 / EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (as amended, the “Transparency Directive”), the Company is required to disclose certain periodic and on-going information (the “Regulated Information”).

Pursuant to the Transparency Directive, the Company must disseminate such Regulated Information throughout the European Community in a manner ensuring fast access to such information on a non-discriminatory basis. For this purpose, the Company may use a professional service provider (wire). In addition, Regulated Information must be filed at the same time with the relevant competent market authority. The Company must then ensure that Regulated Information remains publicly available for at least ten years.

Finally, Regulated Information must be made available for central storage by a mechanism that is officially designated by the Company’s home Member State.
Dutch Regulations

For the purpose of the Transparency Directive, supervision of the Company is effected by the Member State in which it maintains its corporate seat, which is the Netherlands. The competent market authority that assumes final responsibility for supervising compliance by the Company in this respect is the AFM.

Under the Transparency Directive as implemented under Dutch law, the Company is subject to a number of periodic disclosure requirements, such as:

- publishing an Annual Financial Report, together with an audit report drawn up by the Statutory Auditors, within four months after the end of each financial year; and
- publishing a semi-Annual Financial Report, within three months after the end of the first six months of the financial year.

In addition, the Company must file with the AFM, within five days following their adoption by the Company’s shareholders, its audited annual financial statements (including the consolidated ones), the management report, the Auditors’ report and other information related to the financial statements.

French Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in France the same information as that provided abroad.

German Regulations

Due to the listing of the Company’s shares in the Prime Standard sub-segment of the Regulated Market (regulierter Markt) of the Frankfurt Stock Exchange, the Company is subject to certain post-listing obligations as described below. The Company is included inter alia in the selection index MDAX, the MidCap index of Deutsche Börse AG.

Pursuant to the Exchange Rules (Börsenordnung) of the Frankfurt Stock Exchange, the Company is required to publish consolidated annual and semi-annual financial statements as well as quarterly reports which may be prepared in English only. In addition, pursuant to the Exchange Rules, the Company is required to publish a financial calendar at the beginning of each financial year in German and English. The Company is also required to hold an analysts’ meeting at least once per year in addition to the press conference regarding the annual financial statements.

Spanish Regulations

In accordance with the requirement set forth in the Transparency Directive to disseminate Regulated Information throughout the European Community, the Company is required to provide simultaneously in Spain the same information as that provided abroad.

3.1.3.2 Ongoing Disclosure Obligations

Pursuant to the Transparency Directive, Regulated Information includes in particular “inside information” as defined pursuant to Article 7 of EU Regulation No. 596 / 2014 on market abuse (the “Market Abuse Regulation” or “MAR”). Such information must be disseminated throughout the European Community (see introduction to section “— 3.1.3.1 Periodic Disclosure Obligations”).

Inside information consists of information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Inside information must be disclosed to the markets as soon as possible. However, an issuer may under its own responsibility delay the public disclosure of inside information so as not to prejudice its legitimate interests provided that such delay would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information.

Dutch Regulations

Following the implementation of the Transparency Directive into Dutch law, the Company must publicly disclose Regulated Information and also file Regulated Information with the AFM, which will keep all relevant Regulated Information in a publicly available register. The Company will, whenever it discloses inside information pursuant to applicable mandatory law as part of the Regulated Information, disclose and disseminate throughout the European Community any such information.

Under Dutch law, the Company must also publish any change in the rights attached to its shares, as well as any changes in the rights attached to any rights issued by the Company to acquire Airbus shares.

French Regulations

Any inside information as defined above will be disclosed in France by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in France equivalent information to that provided abroad.

German Regulations

Any inside information as defined above will be disclosed in Germany by means of dissemination throughout the European Community, as it is organised under Dutch law implementing the Transparency Directive so as to provide simultaneously in Germany equivalent information to that provided abroad.
Spanish Regulations

Any inside information as defined above will be disclosed simultaneously in Spain by filing the relevant regulatory announcement (hecho relevante) with the CNMV.

Pursuant to the Spanish securities rules and regulations, the Company is also required to make available to shareholders and file with the CNMV a Corporate Governance Report in the Spanish language or in a language customary in the sphere of international finance on an annual basis.

3.1.4 Date of Incorporation and Duration of the Company

The Company was incorporated on 29 December 1998 for an unlimited duration.

3.1.5 Objects of the Company

Pursuant to its Articles of Association, the objects of the Company are to hold, co-ordinate and manage participations or other interests and to finance and assume liabilities, provide for security and/or guarantee debts of legal entities, partnerships, business associations and undertakings that are involved in:

- the aeronautic, defence, space and/or communication industry; or
- activities that are complementary, supportive or ancillary thereto.

3.1.6 Commercial and Companies Registry

The Company is registered with the Dutch Commercial Register (Handelsregister) under number 2428945.

3.1.7 Inspection of Corporate Documents

The Articles of Association are available for inspection in Dutch at the Chamber of Commerce.

In France, the Articles of Association are available at the operational headquarters of Airbus (2, rond-point Emile Dewoitine, 31700 Blagnac, France, Tel.: +33 5 61 31 75 00).

In Germany, the Articles of Association are available at the Munich office of Airbus (Willy-Messerschmitt-Strasse 1, 82024 Ottobrunn, Germany, Tel.: +49 89 60 70).

In Spain, the Articles of Association are available at the CNMV and at the Madrid office of Airbus (Avenida de Aragón 404, 28022 Madrid, Spain, Tel.: +34 91,585 70 00).

3.1.8 Financial Year

The financial year of the Company starts on 1 January and ends on 31 December of each year.

3.1.9 Allocation and Distribution of Income

3.1.9.1 Dividends

The Board of Directors shall determine which part of the profits of the Company shall be attributed to reserves. The remaining distributable profit shall be at the disposal of the shareholders’ meeting.

The shareholders’ meeting may resolve (if so proposed by the Board of Directors) that all or part of a distribution on shares shall be paid in Airbus shares or in the form of assets as opposed to cash.

The declaration of a dividend, an interim dividend or another distribution to the shareholders shall be made known to them within seven days after such declaration. Declared dividends, interim dividends or other distributions shall be payable on such date(s) as determined by the Board of Directors.

Dividends, interim dividends and other distributions on shares shall be paid by bank transfer to the bank or giro accounts designated in writing to the Company by, or on behalf of, shareholders at the latest 14 days after their announcement.

The persons entitled to a dividend, interim dividend or other distribution shall be the shareholders as at a record date to be determined by the Board of Directors for that purpose, which date may not be a date prior to the date on which such dividend, interim dividend or other distribution is declared.
3.1.9.2 Liquidation

In the event of the dissolution and liquidation of the Company, the assets remaining after payment of all debts and liquidation expenses shall be distributed amongst the holders of the shares in proportion to their shareholdings.

3.1.10 General Meetings

3.1.10.1 Calling of Meetings

Shareholders’ meetings are held as often as the Board of Directors deems necessary, when required under the Dutch Civil Code (as a result of a decrease of the Company’s equity to or below half of the Company’s paid up and called up capital) or upon the request of shareholders holding, individually or together, at least 10% of the total issued share capital of the Company. The AGM of Shareholders of the Company is held within six months of the end of the financial year.

The Board of Directors must give notice of shareholders’ meetings through publication of a notice on the Company’s website (www.airbus.com), which will be directly and permanently accessible until the shareholders’ meeting. The Company must comply with the statutory rules providing for a minimum convening period, which currently require at least 42 days of notice. The convening notice must state the items required under Dutch law.

Shareholders’ meetings are held in Amsterdam, The Hague, Rotterdam or Haarlemmermeer (Schiphol Airport), The Board of Directors may decide that shareholders’ meetings may be attended by means of electronic or video communication devices from the locations mentioned in the convening notice.

The Board of Directors must announce the date of the AGM of Shareholders at least ten weeks before the Meeting. A matter which one or more shareholders or other parties with meeting rights collectively representing at least the statutory threshold (which is currently 3% of the issued share capital) have requested in writing to be put on the agenda for a General Meeting of Shareholders shall be included in the convening notice or shall be announced in the same fashion, if the substantiated request or a proposal for a resolution is received by the Company no later than the 60th day before the general meeting. When exercising the right to put a matter on the agenda for a General Meeting of Shareholders, the respective shareholder or shareholders are obliged to disclose their full economic interest to the Company. The Company must publish such disclosure on its website.

A request as referred to in the preceding paragraph may only be made in writing. The Board of Directors can decide that in “writing” is understood to include a request that is recorded electronically.

3.1.10.2 Right to Attend Shareholders’ Meetings

Each holder of one or more shares may attend shareholders’ meetings, either in person or by written proxy, speak and vote according to the Articles of Association. See “— 3.1.10.4 Conditions of Exercise of Right to Vote”. However, under (and subject to the terms of) the Articles of Association these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders’ meeting, can be represented by more than one proxy holder, provided that only one proxy holder can be appointed for each share.

The persons who have the right to attend and vote at shareholders’ meetings are those who are on record in a register designated for that purpose by the Board of Directors on the registration date referred to in the Dutch Civil Code which is currently the 28th day prior to the day of the shareholders’ meeting (the “Registration Date”), irrespective of who may be entitled to the shares at the time of that meeting.

As a prerequisite to attending the shareholders’ meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting in accordance with the relevant convening notice.

Shareholders holding their Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France S.A. or to any other person designated for this purpose, as specified in the relevant convening notice.

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders’ meetings. The use of such electronic means will depend on the availability of the necessary technical means and market practice.

3.1.10.3 Majority and Quorum

All resolutions are adopted by means of a simple majority of the votes cast except when a qualified majority is prescribed by the Articles of Association or by Dutch law. No quorum is required for any shareholders’ meeting to be held except as required under applicable law for a very limited number of resolutions of an extraordinary nature. Dutch law requires a special majority for the passing of certain resolutions: inter alia, capital reduction, exclusion of pre-emption rights in connection with share issues, statutory mergers or statutory
de-mergers; the passing of such resolutions requires a majority of two-thirds of the votes cast if 50% of the share capital with voting rights is not present at the shareholders’ meeting (or otherwise a simple majority). In addition, resolutions to amend the Articles of Association or to dissolve the Company may only be adopted with a majority of at least two-thirds of the valid votes cast at a shareholders’ meeting, whatever the quorum present at such meeting, and resolutions to amend certain provisions of the Articles of Association may only be adopted with a majority of at least 75% of the valid votes cast at a shareholders’ meeting, whatever the quorum present at such meeting.

3.1.10.4 Conditions of Exercise of Right to Vote

In all shareholders’ meetings, each shareholder has one vote in respect of each share it holds. The major shareholders of the Company – as set forth in “— 3.3.2 Relationships with Principal Shareholders” – do not enjoy different voting rights from those of the other shareholders.

A shareholder whose shares are subject to a pledge or usufruct shall have the voting rights attaching to such shares unless otherwise provided by law or by the Articles of Association or if, in the case of a usufruct, the shareholder has granted voting rights to the usufructuary. Pursuant to the Articles of Association and subject to the prior consent of the Board of Directors, a pledgee of shares in the Company may be granted the right to vote in respect of such pledged shares.

According to the Articles of Association, no vote may be cast at the General Meeting on a share that is held by the Company or a subsidiary, nor for a share in respect of which one of them holds the depository receipts.Usufructuaries and pledgees of shares that are held by the Company or its subsidiaries are, however, not excluded from their voting rights, in case the right of usufruct or pledge was vested before the share was held by the Company or its subsidiary.

3.1.11 Disclosure of Holdings

Pursuant to the WFT, any person who, directly or indirectly, acquires or disposes of an interest in the capital or voting rights of the Company must immediately give written notice to the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person meets, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person whose interest in the capital or voting rights of the Company meets, exceeds or falls below one or several of the above-mentioned thresholds due to a change in the Company’s outstanding capital, or in voting rights attached to the shares as notified to the AFM by the Company, should notify the AFM no later than the fourth trading day after the AFM has published the notification by the Company. Among other things, the Company is required to notify the AFM immediately if its outstanding share capital or voting rights have changed by 1% or more since the Company’s previous notification.

If at the end of a calendar year the composition of a shareholder’s holding differs from its previous disclosure as a result of the conversion of certain types of securities or following the exercise of rights to acquire voting rights, this shareholder must then provide an update of its previous disclosure within four weeks of the end of each calendar year by giving written notice thereof to the AFM. The disclosures are published by the AFM on its website (www.afm.nl).

Pursuant to the Articles of Association, shareholders must notify the Company when meeting or crossing the thresholds above. The Articles of Association also contain disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds.

Under the Articles of Association, the disclosure obligations of shareholders are enhanced in several ways beyond what is required under the WFT, including by requiring the disclosure of additional information, tying the disclosure obligations to a broader range of interests in the capital or voting rights of the Company and by requiring a shareholder to notify the Company if his or her interest reaches, exceeds or falls below the Mandatory Disposal Threshold (as defined below) or if the interest of a shareholder (alone or a member of a concert) which is above such Mandatory Disposal Threshold changes in its composition, nature and/or size.

Failure to comply with the legal obligation to notify a change in shareholding under the WFT is a criminal offence punishable by criminal and administrative penalties as well as civil law penalties, including the suspension of voting rights. Failure to comply with a notification under the Articles of Association can lead to a suspension of meeting and voting rights.

Disclosure Requirements for Members of the Board of Directors and the Executive Committee

Disclosure of Holdings

In addition to the requirements under the WFT regarding the disclosure of holdings in case the specified thresholds are met or exceeded or if holdings fall below these thresholds, Members of the Board of Directors must report to the AFM the number of shares in the Company and attached voting rights held by him or an entity controlled by him, within two weeks following his appointment as Director, whether or not such shareholdings meet or exceed any of the specified thresholds. Subsequently, any Member of the Board of Directors is required to notify the AFM of any changes in such number of shares in the Company and attached voting rights.

Disclosure of Transactions Carried Out on Any Securities Issued by the Company

Based on the Market Abuse Regulation, certain persons discharging managerial or supervisory responsibilities within the Company as well as persons closely associated with them (together “Insiders”, as defined below), are required to notify the Company and the AFM within three trading days of all transactions conducted for their own account involving shares of the Company, or derivatives or other

(1) In this context, the term “shares” also includes for example depositary receipts for shares and rights resulting from an agreement to acquire shares or depositary receipts for shares, specifically call options, warrants, and convertible bonds. Equally, the term “voting rights” also includes actual or contingent rights to voting rights (e.g., embedded in call options, warrants or convertible bonds).
financial instruments related to such shares, unless the aggregate amount of such transactions does not exceed €5,000 in respect of all transactions in a calendar year.

“Insiders” for the Company include (i) Members of the Board of Directors and the Executive Committee of the Company as well as certain other senior executives who are not members of these bodies and who have regular access to inside information relating directly or indirectly to the Company and power to take managerial decisions affecting the future developments and business prospects of the Company, (ii) persons closely associated with any person mentioned under category (i) (including their spouses, life partners or any partner considered by national law as equivalent to the spouse, dependent children and other relatives who have shared the same household), and (iii) legal entities, trusts or partnerships whose managerial responsibilities are discharged by any person referred to in categories (i) or (ii) or which are directly or indirectly controlled by such a person, or that have been set up for the benefit of such a person, or whose economic interests are substantially equivalent to those of such a person.

The Company has adopted specific internal insider trading rules (the “Insider Trading Rules”) in order to ensure compliance with the above requirements and with other share trading regulations applicable in the Netherlands, France, Germany and Spain. The Insider Trading Rules are available on the Company’s website, and provide in particular that: (i) all employees and Directors are prohibited from conducting transactions in the Company’s shares or stock options if they have inside information, and (ii) certain persons are only allowed to trade in the Company’s shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules.

Pursuant to the Market Abuse Regulation, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information.

### 3.1.12 Mandatory Disposal

#### 3.1.12.1 Mandatory Disposal Threshold Restricting Ownership to 15%

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the “Mandatory Disposal Threshold”). An interest (“Interest”) includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone’s disposal pursuant to the WFT, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks. The same applies to concerts of shareholders and other persons who together hold an interest exceeding the Mandatory Disposal Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, their Excess Shares would be transferred to a Dutch law foundation (“Stichting”), which can, and eventually must, dispose of them.

The Dutch law foundation would issue depositary receipts to the relevant shareholder in return for the Excess Shares transferred to the foundation, which would entitle the relevant shareholder to the economic rights, but not the voting rights, attached to such Company shares. The foundation’s articles of association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see “— 3.1.12.2 Exemptions from Mandatory Disposal Threshold”) and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, *inter alia*, cover the foundation’s expenses and indemnify the Board Members against liability);
- the Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- the foundation has no discretion as to the exercise of voting rights attached to any of the Company shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- no transfer of a depositary receipt can be made without the prior written approval of the foundation’s Board.

For any shareholder or concert, the term “Excess Shares”, as used above, refers to such number of shares comprised in the interest of such shareholder or concert exceeding the Mandatory Disposal Threshold which is the lesser of: (i) the shares held by such shareholder or concert which represent a percentage of the Company’s issued share capital that is equal to the percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold, and (ii) certain persons are only allowed to trade in the Company’s shares or stock options within very limited periods and have specific information obligations to the ITR Compliance Officer of the Company and the competent financial market authorities with respect to certain transactions. The ITR Compliance Officer is responsible for the implementation of the Insider Trading Rules.

Pursuant to the Market Abuse Regulation, the Company must maintain a list of all persons working for it by virtue of a labour relationship or otherwise, who may have access to inside information.

### 3.1.12.2 Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Airbus shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on the date when the current Articles of Association entered into force (the “Exemption Date”).
Different grandfathering regimes apply to such shareholders and concerts, depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that (i) the specific exemption in Article 16.1.b of the Articles of Association applies to Société de Gestion de Participations Aéronautiques ("Sogepa"), as it held more than 15% of the outstanding Company voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in Article 16.1.c applies to the concert among Sogepa, Gesellschaft zur Beteiligungsverwaltung GZBV mbH & Co. KG ("GZBV") and Sociedad Estatal de Participaciones Industriales ("SEPI"), as they held more than 15% of the outstanding Company voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

### 3.1.13 Mandatory Offers

#### 3.1.13.1 Takeover Directive

The Directive 2004 / 25 / EC on takeover bids (the "Takeover Directive") sets forth the principles governing the allocation of laws applicable to the Company in the context of a takeover bid for the shares of the Company. The Takeover Directive refers to the rules of the Netherlands and the rules of the European Union Member State of the competent authority that must be chosen by the Company from among the various market authorities supervising the markets where its shares are listed.

For the Company, matters relating to, inter alia, the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror’s decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be determined by the laws of the European Union Member State having the competent authority, which will be selected by the Company at a future date.

Matters relating to the information to be provided to the employees of the Company and matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the conditions under which the Board of Directors of the Company may undertake any action which might result in the frustration of the bid, the applicable rules and the competent authority will be governed by Dutch law (see "— 3.1.13.2 Dutch Law”).

#### 3.1.13.2 Dutch Law

In accordance with the Dutch act implementing the Takeover Directive (the "Takeover Act"), shareholders are required to make a public offer for all issued and outstanding shares in the Company’s share capital if they — individually or acting in concert (as such term is defined in the Takeover Act), directly or indirectly — have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the Takeover Act came into force, already held — individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new Member of the concert can be exempted if it satisfies certain conditions.

### 3.2 General Description of the Share Capital

#### 3.2.1 Issued Share Capital

As of 31 December 2017, the Company’s issued share capital amounted to € 774,556,062, consisting of 774,556,062 fully paid-up shares of a nominal value of € 1 each.

#### 3.2.2 Authorised Share Capital

As of 31 December 2017, the Company’s authorised share capital amounted to € 3 billion, consisting of 3 billion shares of € 1 each.

#### 3.2.3 Modification of Share Capital or Rights Attached to the Shares

The shareholders’ meeting has the power to authorise the issuance of shares. The shareholders’ meeting may also authorise the Board of Directors, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for shares issued for consideration other than cash and shares issued to employees of Airbus. For the contractual position as to pre-emption rights, see “— 3.3.2 Relationships with Principal Shareholders”.

The shareholders’ meeting also has the power to limit or to exclude pre-emption rights in connection with new issues of shares, and may authorise the Board of Directors for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in
this context must be approved by a two-thirds majority of the votes cast during the shareholders’ meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the Articles of Association provide that a 75% voting majority is required for any shareholders’ resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of €500 million per share issuance, and no preferential subscription rights exist in respect thereof. The same voting majority requirement applies if the shareholders’ meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights.

Pursuant to the shareholders’ resolutions adopted at the AGM held on 12 April 2017, the powers to issue shares and to grant rights to subscribe for shares and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. employee share ownership plans and share-related long-term incentive plans, provided that such powers shall be limited to 0.14% of the Company’s authorised share capital; and
2. funding the Company and any of its subsidiaries, provided that such powers shall be limited to 0.3% of the Company’s authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2017, and shall not extend to issuing shares or granting rights to subscribe for shares (i) if there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) for an aggregate issue price in excess of €500 million per share issuance.

At the AGM held on 12 April 2017, the Board of Directors was authorised, for a period of 18 months from the date of such AGM, to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company’s issued share capital, and at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders’ meeting may reduce the issued share capital by cancellation of shares, or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders’ meeting in the case where less than half of the capital issued is present or represented at said meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders’ meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 12 April 2017, the Board of Directors and the Chief Executive Officer were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

## 3.2.4 Securities Granting Access to the Company’s Share Capital

Except for convertible bonds (See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans” and please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 34.3: Financing liabilities”), there are no securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total potential dilution that would occur if all the convertible bonds issued as of 31 December 2017 were exercised:

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Percentage of diluted capital</th>
<th>Number of voting rights</th>
<th>Percentage of diluted voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of Company shares issued as of 31 December 2017</td>
<td>774,556,062</td>
<td>99.356%</td>
<td>774,426,537</td>
<td>99.356%</td>
</tr>
<tr>
<td>Total number of Company shares which may be issued following exercise of the convertible bonds</td>
<td>5,022,990</td>
<td>0.644%</td>
<td>5,022,990</td>
<td>0.644%</td>
</tr>
<tr>
<td>Total potential Company share capital</td>
<td>779,579,052</td>
<td>100%</td>
<td>779,449,527</td>
<td>100%</td>
</tr>
</tbody>
</table>

(1) The potential dilutive effect on capital and voting rights of the exercise of these convertible bonds may be limited as a result of the Company’s share repurchase programmes and in the case of subsequent cancellation of repurchased shares. See “— 3.3.7.1 Dutch law and information on share repurchase programmes”.

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### 3.2.5 Changes in the Issued Share Capital

<table>
<thead>
<tr>
<th>Date</th>
<th>Nature of Transaction</th>
<th>Nominal value (€)</th>
<th>Number of shares issued/cancelled</th>
<th>Premium (1)</th>
<th>Total number of issued shares after transaction</th>
<th>Total issued capital after transaction (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 June 2013</td>
<td>Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013</td>
<td>€1 47,648,691</td>
<td>-</td>
<td>-</td>
<td>779,719,254</td>
<td>€779,719,254</td>
</tr>
<tr>
<td>29 July 2013</td>
<td>Issue of shares for the purpose of an employee offering</td>
<td>€1 2,113,245</td>
<td>€57,580,650</td>
<td>€781,832,499</td>
<td>€781,832,499</td>
<td></td>
</tr>
<tr>
<td>27 September 2013</td>
<td>Cancellation of shares upon authorisation granted by the Extraordinary General Meeting held on 27 March 2013</td>
<td>€1 3,099,657</td>
<td>-</td>
<td>-</td>
<td>778,732,842</td>
<td>€778,732,842</td>
</tr>
<tr>
<td>27 September 2013</td>
<td>Cancellation of shares upon authorisation granted by the Annual Shareholders’ Meeting held on 29 May 2013</td>
<td>€1 2,448,884</td>
<td>-</td>
<td>-</td>
<td>776,283,958</td>
<td>€776,283,958</td>
</tr>
<tr>
<td>In 2013</td>
<td>Issue of shares following exercise of options granted to employees (2)</td>
<td>€1 6,873,677</td>
<td>€176,017,918</td>
<td>783,157,635</td>
<td>€783,157,635</td>
<td>€783,157,635</td>
</tr>
<tr>
<td>In 2014</td>
<td>Issue of shares following exercise of options granted to employees (2)</td>
<td>€1 1,871,419</td>
<td>€50,619,684</td>
<td>784,780,585</td>
<td>€784,780,585</td>
<td>€784,780,585</td>
</tr>
<tr>
<td>In 2015</td>
<td>Cancellation of shares upon authorisation granted by the Annual Shareholders’ Meeting held on 27 May 2015</td>
<td>€1 2,885,243</td>
<td>-</td>
<td>-</td>
<td>785,333,784</td>
<td>€785,333,784</td>
</tr>
<tr>
<td>In 2015</td>
<td>Issue of shares following exercise of options granted to employees (2)</td>
<td>€1 1,910,428</td>
<td>-</td>
<td>-</td>
<td>785,344,784</td>
<td>€785,344,784</td>
</tr>
<tr>
<td>In 2016</td>
<td>Cancellation of treasury shares</td>
<td>€1 14,131,131</td>
<td>-</td>
<td>-</td>
<td>771,213,653</td>
<td>€771,213,653</td>
</tr>
<tr>
<td>In 2016</td>
<td>Issues of shares for the purpose of an employee offering</td>
<td>€1 1,474,716</td>
<td>-</td>
<td>-</td>
<td>772,688,369</td>
<td>€772,688,369</td>
</tr>
<tr>
<td>In 2016</td>
<td>Issue of shares following exercise of options granted to employees (2)</td>
<td>€1 224,500</td>
<td>-</td>
<td>-</td>
<td>772,912,869</td>
<td>€772,912,869</td>
</tr>
<tr>
<td>In 2017</td>
<td>Issues of shares for the purpose of an employee offering</td>
<td>€1 1,643,193</td>
<td>-</td>
<td>-</td>
<td>774,556,062</td>
<td>€774,556,062</td>
</tr>
</tbody>
</table>

(1) The costs (net of taxes) related to the initial public offering of the shares of the Company in July 2000 have been offset against share premium for an amount of €55,849,772.

(2) For information on stock option plans under which these options were granted to the Company’s employees, see “— Corporate Governance — 4.3.3 Long-Term Incentive Plans”.

In the course of 2017, a total number of 1,643,193 new shares were issued, all in the framework of the Employee Share Ownership Plan (“ESOP”). During 2017, (i) the Company did not repurchase any shares and (ii) none of the treasury shares were cancelled. As a result, as at 31 December 2017, the Company held 129,525 treasury shares.
3.3 Shareholdings and Voting Rights

3.3.1 Shareholding Structure at the end of 2017

As of 31 December 2017, the French State held 11.08% of the outstanding Company shares through Sogepa, the German State held 11.07% through GZBV, a subsidiary of Kreditanstalt für Wiederaufbau ("KfW"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, and the Spanish State held 4.17% through SEPI. The public (including Airbus‘ employees) and the Company held, respectively, 73.66% and 0.02% of the Company’s share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2017 (% of capital and of voting rights (in parentheses) before exercise of the convertible bonds). See “— Corporate Governance — 4.3.3 Long-Term Incentive Plans”.

In 2017, the below listed entities have notified the AFM of their substantial interest in the Company. For further details, please refer to the website of the AFM at: www.afm.nl:

- Capital Group International Inc. owns 10.06% of the voting rights via Capital Research and Management Company.

As of 31 December 2017, the Company held, directly or indirectly through another company in which the Company holds directly or indirectly more than 50% of the share capital, 129,525 of its own shares, equal to 0.02% of issued share capital. The treasury shares owned by the Company do not carry voting rights.

For the number of shares and voting rights held by Members of the Board of Directors and Executive Committee, see “— Corporate Governance — 4.2.1 Remuneration Policy”.

Approximately 2.0% of the share capital (and voting rights) was held by the Company’s employees as of 31 December 2017.
3.3.2 Relationships with Principal Shareholders

In 2013, GZBV, Sogepa and SEPI entered into a shareholders’ agreement (the “Shareholders’ Agreement”). The Shareholders’ Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.3.2.1 Corporate Governance Arrangements

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company’s corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company’s corporate governance arrangements in the Articles of Association, included (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others. See sections 3.1.11 and 3.1.12 above and section 4 below.

3.3.2.2 Core Shareholder Arrangements

Grandfathering Agreement

At the Consummation, the French State, Sogepa, the German State, KfW and GZBV (all parties together the “Parties” and each, individually, as a “Party”) entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1.b of the Articles of Association (such Party holding “Individual Grandfathering Rights”) shall remain individually grandfathered in accordance with the Articles of Association if the new concert with respect to the Company (the “Concert”) is subsequently terminated (for instance by terminating the Shareholders’ Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1.b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding “Derived Grandfathering Rights”, and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the “Grandfathering Rights”) shall all no longer be entitled to exercise their Grandfathering Rights in the event:

• the Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
• it or its relevant affiliate(s) exit(s) the Concert;

and such termination or exit is not for good cause and is not based on material and on-going violations of the Concert arrangements, including, without limitation, of the Shareholders’ Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert together with those of its affiliates would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party including its affiliates which were no longer entitled to use their Grandfathering Rights shall from then on revive and Sogepa and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-concert Grandfathering Agreement unless and until it receives (i) a joint written instruction from Sogepa and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-concert Grandfathering Agreement or any such joint instruction or binding advice.

Notwithstanding the description under “Various provisions – Jurisdiction” below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-concert Grandfathering Agreement.

Various provisions

Termination. The post-concert Grandfathering Agreement terminates only if either the French State and its affiliates or the German State and its affiliates no longer hold shares in the Company.

Governing law. Laws of the Netherlands.
**Shareholders’ Agreement**

Below is a further description of the Shareholders’ Agreement, based solely on a written summary of the main provisions of the Shareholders’ Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the “Shareholders”).

**Governance of the Company**

**Appointment of the Directors.** The shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders’ meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the shareholders shall exercise their best endeavours so that such person is appointed as a Director.

Sogepa and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an Independent Director pursuant to the conditions set forth in the Board Rules, and shall vote as shareholders in any shareholders’ meeting in favour of such appointment and against the appointment of any other person for such position.

If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the shareholders shall exercise their best endeavours so that these persons are appointed as Directors.

**Modification of the Articles of Association.** Sogepa and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogepa and GZBV agree to vote in favour together of such draft resolution, the shareholders shall vote against such draft resolution. If Sogepa and GZBV reach a mutual agreement on such draft resolution, the shareholders shall vote in favour of such draft resolution.

**Reserved Matters.** With respect to the matters requiring the approval of a Qualified Majority at the Board level (“Reserved Matters”), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the shareholders’ meeting of the Company, Sogepa and GZBV shall consult each other with a view to reaching a common position. Should Sogepa and GZBV fail to reach a common position, Sogepa and GZBV shall remain free to exercise on a discretionary basis their votes.

**Prior consultation.** Sogepa and GZBV shall consult each other on any draft resolution submitted to the shareholders’ meeting other than related to Reserved Matters and the Board Rules.

**Balance of Interests**

The shareholders agree their common objective to seek a balance between themselves of their respective interest in the Company as follows:

- to hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;

- to hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;

- to hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties.

**Mandatory Takeover Threshold**

The total aggregate voting rights of the shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any shareholder a mandatory takeover obligation (the “MTO Threshold”). In the event that the total aggregate voting rights of the shareholders exceed the MTO Threshold, the shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

**Transfer of Securities**

**Permitted transfer.** Transfer of securities by any shareholder to one of its affiliates.

**Pre-emption right.** Pro rata pre-emption rights of the shareholders in the event any shareholder intends to transfer any of its securities to a third party directly or on the market.

**Call-option right.** Call option right for the benefit of the shareholders in the event that the share capital or the voting rights of any shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

**Tag-along right.** Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.
Various provisions

**Termination.** The Shareholders’ Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company or in its or their shareholders.

**Governing law.** Laws of the Netherlands.

**Jurisdiction.** Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (The Netherlands).

### 3.3.2.3 Undertakings with Respect to Certain Interests of Certain Stakeholders

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

**State Security Agreements and Related Undertakings and Negotiations**

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the “French State Security Agreement”). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the “French Defence Holding Company”). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of — but not to propose or appoint — three outside Directors to the Board of Directors of the French Defence Holding Company (the “French Defence Outside Directors”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board of Directors. Two of the French Defence Outside Directors are required to also be Members of the Board of Directors. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board of Directors) nor (ii) have material on-going professional relationships with Airbus.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State’s security (the “German State Security Agreement”). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the “German Defence Holding Company”). The German State has the right to approve or disapprove of — but not to propose or appoint — three outside Directors to the Supervisory Board of the German Defence Holding Company (the “German Defence Outside Directors”), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board of Directors. Two of the German Defence Outside Directors are required to also be Members of the Board of Directors. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant.

**Dassault Aviation**

The Company entered into an agreement with the French State pursuant to which the Company would:

- grant the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- commit to consult with the French State prior to making any decision at any shareholders’ meeting of Dassault Aviation.

For more information about Dassault Aviation, see “— Information of Airbus Activities — 1.1.5 Investments”.

**Stock Exchange Listings**

The Company has undertaken to the parties to the Shareholders’ Agreement that for the duration of the Shareholders’ Agreement the Company’s shares will remain listed exclusively in France, Germany and Spain.

**Specific Rights of the French State**

Pursuant to an agreement entered into between the Company and the French State (the “Ballistic Missiles Agreement”), the Company has granted to the French State (a) a veto right and subsequently a call option on shares of the company performing the the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and the company performing the ballistic missiles activity are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

### 3.3.3 Form of Shares

The shares of the Company are in registered form. The Board of Directors may decide with respect to all or certain shares, on shares in bearer form.

Shares shall be registered in the shareholders’ register without the issue of a share certificate or, should the Board of Directors so decide, with respect to all or certain shares, with the issue of a certificate. Share certificates shall be issued in such form as the Board of Directors may determine. Registered shares shall be numbered in the manner to be determined by the Board of Directors.
### 3.3.4 Changes in the Shareholding of the Company

The evolution in ownership of the share capital and voting rights of the Company over the past three years is set forth in the table below:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>% of capital</th>
<th>% of voting rights</th>
<th>Number of shares</th>
<th>% of capital</th>
<th>% of voting rights</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOGEPA</td>
<td>11.08%</td>
<td>11.08%</td>
<td>85,835,477</td>
<td>11.11%</td>
<td>11.11%</td>
<td>85,835,477</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GZBV</td>
<td>11.07%</td>
<td>11.07%</td>
<td>85,709,822</td>
<td>11.09%</td>
<td>11.09%</td>
<td>85,709,822</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SEPI</td>
<td>4.17%</td>
<td>4.17%</td>
<td>32,330,381</td>
<td>4.18%</td>
<td>4.18%</td>
<td>32,330,381</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total New Shareholder Agt.</td>
<td>26.32%</td>
<td>26.33%</td>
<td>203,875,680</td>
<td>26.38%</td>
<td>26.38%</td>
<td>203,875,680</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foundation “SOGEPA”</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>0.00%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public(2)</td>
<td>73.66%</td>
<td>73.67%</td>
<td>570,550,857</td>
<td>73.60%</td>
<td>73.62%</td>
<td>568,853,019</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own share buy-back(3)</td>
<td>0.02%</td>
<td>-</td>
<td>129,525</td>
<td>0.02%</td>
<td>-</td>
<td>184,170</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>774,556,062</td>
<td>100%</td>
<td>100%</td>
<td>772,912,869</td>
</tr>
</tbody>
</table>

(1) KfW & other German public entities.
(2) Including Company employees. As of 31 December 2017, the Company’s employees held approximately 2.0% of the share capital (and voting rights).
(3) The shares owned by the Company do not carry voting rights.

To the knowledge of the Company, there are no pledges over the shares of the Company.

The Company requested disclosure of the identity of the beneficial holders of its shares held by identifiable holders ("Titres au porteur identifiables") holding 2,000 or more shares each. The study, which was completed on 31 December 2017, resulted in the identification of 1,893 shareholders holding a total of 569,727,245 Company shares (including 1,858,501 shares held by Iberclear on behalf of the Spanish markets and 25,517,394 shares held by Clearstream on behalf of the German market).

The shareholding structure of the Company as of 31 December 2017 is as shown in the diagram in "— 3.3.1 Shareholding Structure at the end of 2017".

### 3.3.5 Persons Exercising Control over the Company

See "— 3.3.1 Shareholding Structure at the end of 2017" and "— 3.3.2 Relationships with Principal Shareholders".

### 3.3.6 Simplified Group Structure Chart

The following chart illustrates the simplified organisational structure of Airbus as of 31 December 2017, comprising three Divisions and the main Business Units. See "— Information on Airbus Activities — 1.1.1 Overview — Organisation of Airbus’ Businesses". For ease of presentation, certain intermediate holding companies have been omitted.

SIMPLIFIED GROUP STRUCTURE CHART
*Airbus owns indirectly 50% of ATR SAS, 50% of ArianeGroup and 37.56% of MBDA Group. Subsidiaries held with no indication of ownership percentage are 100% owned. Legal forms are indicated for information purposes and are not always part of the legal name.
3.3.7  Purchase by the Company of its Own Shares

3.3.7.1 Dutch Law and Information on Share Repurchase Programmes

Under Dutch civil law, the Company may acquire its own shares, subject to certain provisions of the law of the Netherlands and the Articles of Association, if (i) the shareholders’ equity less the payment required to make the acquisition does not fall below the sum of paid-up and called portion of the share capital and any reserves required by the law of the Netherlands and (ii) the Company and its subsidiaries would not thereafter hold or hold in pledge shares with an aggregate nominal value exceeding one-half (50%) of the Company's issued share capital. Share acquisitions may be effected by the Board of Directors only if the shareholders’ meeting has authorised the Board of Directors to effect such repurchases. Such authorisation may apply for a maximum period of 18 months.

For the authorisations granted to the Board of Directors at the AGM of Shareholders held on 12 April 2017, see “— 3.2.3 Modification of Share Capital or Rights Attached to the Shares”.

3.3.7.2 European Regulation

Pursuant to the Market Abuse Regulation and EU Delegated Regulation No. 2016/1052, the Company is subject to conditions for share repurchase programmes and disclosure relating thereto. In particular, prior to implementing the share repurchase programme, the Company must ensure adequate disclosure of the following information: the purpose of the programme, the maximum pecuniary amount allocated to the programme, the maximum number of shares to be acquired, and the duration of the programme.

In addition, the Company must report to the competent authority of each trading venue on which the shares are admitted to trading or are traded no later than by the end of the seventh daily market session following the date of execution of the transaction, all the transactions relating to the buy-back programme and ensure adequate disclosure of that certain information relating thereto within the same time frame. These transactions must be posted on the Company’s website and be made available to the public for at least a 5-year period from the date of adequate public disclosure.

3.3.7.3 French Regulations

As a result of its listing on a regulated market in France, the Company is subject to the European regulations summarised above in 3.3.7.2 (European Regulation).

In addition, the Autorité des marchés financiers ("AMF") General Regulations and AMF guidelines n°2017-04 define the conditions for a company’s trading in its own shares to be valid in accordance with the Market Abuse Regulation and EU Delegated Regulation No. 2016 / 1052.

Moreover, the Company must report to the AMF, on at least a monthly basis, all the specified information regarding such purchases previously published on its website and information concerning the cancellation of such repurchased shares.

3.3.7.4 German Regulations

As a foreign issuer, the Company is subject to German rules on repurchasing its own shares only to a limited extent, since German rules refer to the law of the Member State in which the Company is domiciled. In addition, general principles of German law on equal treatment of shareholders are applicable.

The European regulations summarised above in 3.3.7.2 (European Regulation) also applies to the Company in Germany.

3.3.7.5 Spanish Regulations

As a foreign issuer, the Company is not subject to Spanish rules on trading in its own shares, which only apply to Spanish issuers. The European regulations summarised above in 3.3.7.2 (European Regulation) also applies to the Company in Spain.
3.3.7.6 Description of the Share Repurchase Programme to be Authorised by the Annual General Meeting of Shareholders to be held on 11 April 2018

Pursuant to Articles 241-2-I and 241-3 of the AMF General Regulations, below is a description of the share repurchase programme ("descriptif du programme") to be implemented by the Company:

- **date of the shareholders’ meeting to authorise the share repurchase programme**: 11 April 2018;
- **intended use of the Airbus SE shares held by the Company as of the date of this document**: the owning of shares for the performance of obligations related to employee share option programmes or other allocations of shares to employees of Airbus and Airbus’ companies;
- **purposes of the share repurchase programme to be implemented by the Company (by order of decreasing priority, without any effect on the actual order of use of the repurchase authorisation, which will be determined on a case-by-case basis by the Board of Directors based on need):**
  - the reduction of share capital by cancellation of all or part of the repurchased shares, it being understood that the repurchased shares shall not carry any voting or dividend rights,
  - the owning of shares for the performance of obligations related to (i) debt financial instruments convertible into Airbus SE shares, or (ii) employee share option programmes or other allocations of shares to employees of Airbus and Airbus’ companies,
  - the purchase of shares for retention and subsequent use for exchange or payment in the framework of potential external growth transactions, and
  - the liquidity or dynamism of the secondary market of the Airbus SE shares carried out pursuant to a liquidity agreement to be entered into with an independent investment services provider in compliance with the decision of the AMF dated 1 October 2008 (as amended) related to approval of liquidity agreements recognised as market practices by the AMF;
- **procedure:**
  - maximum portion of the issued share capital that may be repurchased by the Company: 10%,
  - maximum number of shares that may be repurchased by the Company: 77,455,606 shares, based on an issued share capital of 774,556,062 shares as of 28 February 2018.
  - the amounts to be paid in consideration for the purchase of the treasury shares must be, in accordance with applicable Dutch law, a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The Company undertakes to maintain at any time a sufficient number of shares in public hands to meet the thresholds of Euronext,
- shares may be bought or sold at any time (including during a public offering) to the extent authorised by the stock exchange regulations and by any means, including, without limitation, by means of block trades and including the use of options, combinations of derivative financial instruments or the issue of securities giving rights in any way to Airbus SE shares within the limits set out in this document.

The portion of shares repurchased through the use of block trades may amount to all the shares to be repurchased in the context of this programme,
- in addition, in the event that derivative financial instruments are used, the Company will ensure that it does not use mechanisms which would significantly increase the volatility of the shares in particular in the context of call options,
- characteristics of the shares to be repurchased by the Company: shares of Airbus SE, a company listed on Euronext Paris, on the regulierter Markt of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges,
- maximum purchase price per share: €100;

- **term of the share repurchase programme and other characteristics**: this share repurchase programme shall be valid until 11 October 2019 inclusive, i.e. the date of expiry of the authorisation requested from the AGM of Shareholders to be held on 11 April 2018.

As of the date of this document, the Company has not entered into any liquidity agreement with an independent investment services provider in the context of the share repurchase programme.

Share Repurchase Programme 2017

On 28 February 2018, the Company started implementing a share buyback programme that was conferred by Board of Directors on 14 February 2018 following the authorisation by the Company’s Annual General Meeting of shareholders on 12 April 2017. This share buyback programme is reported in accordance with the Market Abuse Regulation.
3.4 Dividends

3.4.1 Dividends and Cash Distributions Paid

Cash distributions paid to the shareholders are set forth in the table below:

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Date of the cash distribution payment</th>
<th>Gross amount per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3 June 2014</td>
<td>€0.75</td>
</tr>
<tr>
<td>2014</td>
<td>3 June 2015</td>
<td>€1.20</td>
</tr>
<tr>
<td>2015</td>
<td>3 May 2016</td>
<td>€1.30</td>
</tr>
<tr>
<td>2016</td>
<td>20 April 2017</td>
<td>€1.35</td>
</tr>
</tbody>
</table>

(1) Note: figures have not been adjusted to take into account changes in the number of shares outstanding.

3.4.2 Dividend Policy of the Company

In December 2013, Airbus formalised a dividend policy demonstrating a strong commitment to shareholders’ returns. This policy targets sustainable growth in the dividend within a payout ratio of 30%-40%.

Based on earnings per share (EPS) of €3.71 and a net income of €2.873 million, the Board of Directors will propose to the AGM the payment to shareholders on 18 April 2018 of a dividend of €1.50 per share (FY 2016: €1.35). This value is at the upper end of the dividend policy reflecting our strong 2017 achievements, including the positive evolution of the 2017 underlying performance and our 2017 cash generation. It highlights our confidence in our future financial performance as well as on-going commitment towards sustained dividend growth and increasing shareholder returns.

The record date should be 17 April 2018. This proposed dividend represents year-on-year dividend per share increase of 11.1%.

3.4.3 Unclaimed Dividends

Pursuant to the Articles of Association, the claim for payment of a dividend or other distribution approved by the shareholders’ meeting shall lapse five years after the day on which such claim becomes due and payable. The claim for payment of interim dividends shall lapse five years after the day on which the claim for payment of the dividend against which the interim dividend could be distributed becomes due and payable.

3.4.4 Taxation

The statements below represent a broad analysis of the current tax laws of the Netherlands. The description is limited to the material tax implications for a holder of the Company’s shares (the “Shares”) who is not and is not deemed to be resident in the Netherlands for any Dutch tax purposes (a “Non-Resident Holder”). Certain categories of holders of the Company’s shares may be subject to special rules which are not addressed below and which may be substantially different from the general rules described below. Investors who are in doubt as to their tax position in the Netherlands and in their state of residence should consult their professional advisors. Where the summary refers to “the Netherlands” or “Netherlands” or “Dutch”, it refers only to the European part of the Kingdom of the Netherlands.

Withholding Tax on Dividends

In general, a dividend distributed by the Company in respect of Shares will be subject to Dutch withholding tax at a statutory rate of 15%. Dividends include dividends in cash or in kind, deemed and constructive dividends, repayment of paid-in capital not recognised as capital for Dutch dividend withholding tax purposes, and liquidation proceeds in excess of the average paid-in capital recognised as capital for Dutch dividend withholding tax purposes. Stock dividends paid out of the Company’s paid-in-share premium, recognised as capital for Dutch dividend withholding tax purposes, will not be subject to this withholding tax.

A Non-Resident Holder of Shares can be eligible for a partial or complete exemption or refund of all or a portion of the above withholding tax pursuant to domestic rules or under a tax convention that is in effect between the Netherlands and the Non-Resident Holder’s country of residence for tax purposes. The Netherlands has concluded such conventions with the US, Canada, Switzerland, Japan, almost all European Union Member States and other countries.

Withholding Tax on Sale or Other Dispositions of Shares

Payments on the sale or other dispositions of Shares will not be subject to Dutch withholding tax, unless the sale or other disposition is, or is deemed to be, made to the Company or a direct or indirect subsidiary of the Company. In principle, a redemption or sale to the
Company or a direct or indirect subsidiary of the Company will be deemed to be a dividend and will be subject to the rules set forth in "Withholding Tax on Dividends" above.

**Taxes on Income and Capital Gains**

A Non-Resident Holder who receives dividends distributed by the Company on Shares or who realises a capital gain derived from Shares, will not be subject to Dutch taxation on income or a capital gain unless:

- the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment ("vaste inrichting") or permanent representative ("vaste vertegenwoordiger") taxable in the Netherlands and the holder of Shares derives profits from such enterprise (other than by way of the holding of securities); or
- the Non-Resident Holder is an entity and has, directly or indirectly, a substantial interest ("aanmerkelijk belang") or a deemed substantial interest in the Company and such interest is held by the Non-Resident Holder with the main purpose of or one of the main purposes of avoiding personal income tax for another person; or
- the Non-Resident Holder is an individual and such holder or a connected person to such holder ("verbonden persoon") has, directly or indirectly, a substantial interest ("aanmerkelijk belang") or a deemed substantial interest in the Company; or
- the income or capital gain qualifies as income from miscellaneous activities ("belastbaar resultaat uit overige werkzaamheden") in the Netherlands as defined in the Dutch Income Tax Act 2001 ("Wet inkomstenbelasting 2001"), including without limitation, activities that exceed normal, active asset management ("normaal actief vermogensbeheer").

Generally, a Non-Resident Holder of Shares will not have a substantial interest in the Company’s share capital, unless the Non-Resident Holder, alone or together with certain related persons holds, jointly or severally directly or indirectly, Shares in the Company, or a right to acquire Shares in the Company representing 5% or more of the Company’s total issued and outstanding share capital or any class thereof. Generally, a deemed substantial interest exists if all or part of a substantial interest has been or is deemed to have been disposed of with application of a roll-over relief.

**Gift or Inheritance Taxes**

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Shares by way of gift by, or on the death of, a Non-Resident Holder, unless the transfer is construed as an inheritance or gift made by or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

**Value Added Tax**

There is no Dutch value added tax payable by a holder of Shares in respect of dividends on the Shares or on the transfer of the Shares.

**Other Taxes and Duties**

There is no Dutch registration tax, stamp duty or any other similar tax or duty other than court fees payable in the Netherlands by a holder of Shares in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of the Netherlands) with respect to the dividends on the Shares or on the transfer of the Shares.

**Residence**

A Non-Resident Holder will not become resident, or be deemed to be resident, in the Netherlands solely as a result of holding a Share or of the execution, performance, delivery and/or enforcement of rights in respect of the Shares.
4.

Corporate Governance

4.1 Management and Control

The corporate governance arrangements of the Company were substantially changed pursuant to the Multiparty Agreement, including changes in the composition of the Board of Directors and the rules governing its internal affairs (the “Board Rules”). These changes are intended to further normalise and simplify the Company’s corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Below is a summary description of such changes.

4.1.1 Corporate Governance Arrangements

4.1.1.1 Board of Directors

a) Composition Rules and Principles

Under the Articles of Association, the Board of Directors consists of at most 12 Directors. Under the Board Rules, each Board Director shall retire at the close of the AGM three years following his or her appointment, unless the said mandate is renewed. Under the Board Rules, at least a majority of the Members of the Board of Directors (i.e., 7/12) must be European Union (“EU”) nationals (including the Chairman of the Board of Directors) and a majority of such majority (i.e., 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 Non-Executive Directors. While the Board of Directors appoints the Chief Executive Officer of the Company (the “CEO”), the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine of the Non-Executive Directors must be “Independent Directors” (including the Chairman of the Board of Directors).

Under the Board Rules, an “Independent Director” is a non-Executive Director who is independent within the meaning of the Dutch Corporate Governance Code (the “Dutch Code”) and meets additional independence standards. Specifically, where the Dutch Code would determine non-independence, in part, by reference to a Director’s relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director’s non-independence, in relevant part, by reference to such Director’s relationships with shareholders who own at least 5% of the Company. According to the criteria of the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) presently qualify as an “Independent Director”.

The Remuneration, Nomination and Governance Committee of the Board of Directors (the “RNGC”) is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders’ meeting of the Company for appointment as Directors by the shareholders’ meeting. No shareholder or group of shareholders, or any other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under Dutch law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders’ meeting regarding proposals to appoint or replace a resigning or incapacitated Director, are both required to apply the following principles:

• the preference for the best candidate for the position;
• the preference for gender diversity between equal profiles;
• the maintenance of appropriate skills mix and geographical experience;
• the maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of the four Member States of the EU where these main industrial centres are located); and
• at least a majority of the members of the Board of Directors (i.e., 7/12) shall be EU nationals (including the Chairman), and a majority of such majority (i.e., 4/7) shall be both EU nationals and residents.

In accordance with these principles the Board of Directors shall seek greater diversity with respect to gender, age, geography, education, profession and background.
In 2017, one new member joined the Board of Directors, Lord Drayson. He has the competencies and personal skills to fulfill this position in line with the Board’s expectations and the evolution of the business within the Company. As an engineer and entrepreneur, he brings amongst other qualities the right expertise for our innovation focus and digital journey. Following the replacement of Mr. Mittal by Lord Drayson, the Company will strive to find a new Board Member with an Asian profile.

At the end of 2017 half of the Members of the Board of Directors were under the age of 60. The proportion of female representation is today at 25% against 0% five years ago. The Board composition shows a balanced mix of experience with, for example, four Members having Defence industry skills, six having geopolitical or economics skills or four having information or data management skills. More details as to the diversity of the Board of Directors Members are available in the table shown below.

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders’ meeting, the undertakings of the Company to the French State pursuant to the amendment to the French State Security Agreement and to the German State pursuant to the German State Security Agreement, in each case as described more fully in “3.3.2.3 - Undertakings with Respect to Certain Interests of Certain Stakeholders”. In practice, this means that (i) two of the Directors submitted to the shareholders for appointment should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (ii) two of the Directors submitted to the shareholders for appointment should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors while it takes into account that a Director should at the time of his appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors’ positions are either renewed or replaced every year for a term of three years. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges, provided that exceptions to these rules may be agreed by the Board of Directors if specific circumstances provide an appropriate justification for such exceptions.

b) Role of the Board of Directors

Most Board of Directors’ decisions can be made by a simple majority of the votes of the Directors (a “Simple Majority”), but certain decisions must be made by a 2/3 majority (i.e. eight favourable votes) of the Directors regardless of whether present or represented in respect of the decision (a “Qualified Majority”). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not being present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors’ decisions.

The Board Rules specify that in addition to the Board of Directors’ responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee, makes decisions with respect to the management of the Company. However, the CEO should not enter into transactions that form part of the key responsibilities of the Board of Directors unless these transactions have been approved by the Board of Directors.

Matters that require Board of Directors’ approval include among others, the following items (by Simple Majority unless otherwise noted):

• approving any change in the nature and scope of the business of the Company and Airbus;
• debating and approving the overall strategy and the strategic plan of Airbus;
• approving the operational business plan of Airbus (the “Business Plan”) and the yearly budget of Airbus (“Yearly Budget”), including the plans for Investment, R&D, Employment, Finance and, as far as applicable, major programmes;
• nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
• approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board of Directors on the basis of the recommendation of the RNGC;
• approving the relocation of the headquarters of the principal companies of Airbus and of the operational headquarters of the Company (Qualified Majority);
• approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
• approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
• approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 800 million (Qualified Majority);
• approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
• approving matters of shareholder policy, major actions or major announcements to the capital markets; and
• approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.
The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and sets out the core principles which each and every Member of the Board of Directors shall comply and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of their duties and avoiding any and all conflicts of interest.
c) The Board of Directors in 2017

(i) Composition of the Board of Directors in 2017

Airbus SE Board of Directors
# Airbus SE Board of Directors Until AGM 2018

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Since</th>
<th>Current term expires</th>
<th>Director expertise</th>
<th>Status</th>
<th>Primary occupation &amp; Other mandates</th>
<th>Board attendance</th>
<th>Committee membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denis RANCQUE</td>
<td>66</td>
<td>2013, last re-election in 2017</td>
<td>2020</td>
<td>[Airbus]</td>
<td>Chairman of the Board of Directors of Airbus SE</td>
<td>9/9</td>
<td>7/7</td>
<td>10/10</td>
</tr>
<tr>
<td>Ralph D. CROSBY, Jr.</td>
<td>70</td>
<td>2013, last re-election in 2017</td>
<td>2020</td>
<td>[Electric] Power Corp.</td>
<td>Member of the Board of Directors of American Electric Power Corp.</td>
<td>9/9</td>
<td>3/4</td>
<td></td>
</tr>
<tr>
<td>Lord DRAYSON (Paul)</td>
<td>57</td>
<td>2017, last re-election in 2017</td>
<td>2020</td>
<td>[Renewables]</td>
<td>Co-Founder, Chairman and CEO of Uranon Technologies Ltd</td>
<td>7/7 (from AGM 2017)</td>
<td>7/7</td>
<td></td>
</tr>
<tr>
<td>Catherine GUILLOUARD</td>
<td>53</td>
<td>2016, last re-election in 2017</td>
<td>2019</td>
<td>[Renewables]</td>
<td>Chief Executive Officer of RATP</td>
<td>8/9</td>
<td>4/6</td>
<td>5/7</td>
</tr>
<tr>
<td>Hans-Peter KEITEL</td>
<td>70</td>
<td>2013, last re-election in 2016</td>
<td>2018</td>
<td>[Renewables]</td>
<td>Former CEO of HOCHTIEF AG</td>
<td>7/9</td>
<td>8/9</td>
<td></td>
</tr>
<tr>
<td>Hermann-Josef LAMBERTI</td>
<td>62</td>
<td>2007, last re-election in 2017</td>
<td>2020</td>
<td>[Renewables]</td>
<td>Former Member of the Management Board of Deutsche Bank AG</td>
<td>8/9</td>
<td>6/6</td>
<td>7/10</td>
</tr>
<tr>
<td>Amparo MORALED A*</td>
<td>53</td>
<td>2015, last re-election in 2018</td>
<td>2018</td>
<td>[Renewables]</td>
<td>Member of the Board of Directors of Solvay</td>
<td>9/9</td>
<td>2/2</td>
<td>7/7</td>
</tr>
<tr>
<td>Claudia NEMAT</td>
<td>49</td>
<td>2016, last re-election in 2017</td>
<td>2019</td>
<td>[Renewables]</td>
<td>Member of the Board of Management of Deutsche Telekom AG</td>
<td>8/9</td>
<td>5/6</td>
<td></td>
</tr>
<tr>
<td>Sir John RANJAH</td>
<td>75</td>
<td>2007, last re-election in 2016</td>
<td>2018</td>
<td>[Aerospace]</td>
<td>Chairman of Anglo American PLC</td>
<td>7/9</td>
<td>5/7</td>
<td>8/7</td>
</tr>
<tr>
<td>Carlos TAVARES</td>
<td>59</td>
<td>2016, last re-election in 2017</td>
<td>2019</td>
<td>[Aerospace]</td>
<td>Honorary Governor of Banque de France</td>
<td>7/9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Status as of 14 February 2018.

* To be re-elected in 2018.

** Ethics & Compliance Committee (ECC) replaced the temporary AdHoc Committee in July 2017.

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mandelweg 30, 2333 CS Lelyst, The Netherlands.
The Company has not appointed observers to the Board of Directors. Pursuant to applicable Dutch law, the employees are not entitled to elect a Director. There is no minimum number of shares that must be held by a Director.

(ii) Curriculum Vitae and other Mandates and Duties Performed in any Company by the Members of the Board of Directors in 2017

DENIS RANQUE

Curriculum Vitae

Denis Ranque began his career at the French Ministry for Industry, where he held various positions in the energy sector, before joining the Thomson group in 1983 as Planning Director. The following year, he moved to the electron tubes division, first as Director of space business, then, from 1986, as Director of the division's microwave tubes department. Two years later, the electron tubes division became the affiliate Thomson Tubes Electroniques, and Denis Ranque took over as Chief Executive of this subsidiary in 1989. In April 1992, he was appointed Chairman and CEO of Thomson Sintra Activités Sous-marines. Four years later, he became CEO of Thomson Marconi Sonar, the sonar systems joint venture set up by Thomson-CSF and GEC-Marconi. In January 1998, Denis Ranque was appointed Chairman and Chief Executive Officer of the Thomson-CSF group, now called Thales. He resigned from this position in May 2009, as a consequence of a change in shareholding. From February 2010 to June 2012 he has been Non-Executive Chairman of Technicolor. Since October 2001, he has also been Chairman of the Board of the Ecole des Mines ParisTech, and since September 2002, Chairman of the Cercle de l’Industrie, an association which unites France’s biggest industrial companies; both mandates ended in June 2012. He is member of the Boards of directors of Saint-Gobain and CMA-CGM. From 2013 to 2017, he chaired The Haut Comité de Gouvernement d’Entreprise, the independent body put in place by the French Code of corporate governance for monitoring and encouraging progress in this field. From 2014 to 2017 he has also been co-Chairman of La Fabrique de l’industrie, a think tank dedicated to industry. Since 2014 he is the Chairman of the Fondation de l’Ecole Polytechnique and a member of the French Academy for Technologies (“Académie des Technologies”). Denis Ranque, born 1952, is a graduate of France’s Ecole Polytechnique and the Corps des Mines.

Current Mandates:
• Chairman of the Board of Directors of Airbus SE;
• Member of the Board of Directors of Saint Gobain;
• Member of the Board of Directors of CMA-CGM;
• President of the Board of Foundation de l’Ecole Polytechnique.

Former mandates for the last five years:
• Member of the Board of Directors of Scilab Enterprise SAS;
• President of the French Haut Comité de Gouvernement d’Entreprise;
• Co-Chairman of the Board of Directors of La Fabrique de l’industrie.
Ralph Crosby was Member of the Executive Committee of EADS from 2009 - 2012 and served as Chairman and CEO of EADS North America from 2002 - 2009. He presently serves as an Independent Director of American Electric Power headquartered in Columbus, Ohio, where he chairs the Human Resources Committee and Serco, headquartered in London, United Kingdom. Furthermore, Mr Crosby serves on the Board of Directors, and Executive Committee of the Atlantic Council of the United States. Prior to joining EADS, Mr Crosby was an Executive with Northrop Grumman Corporation, where he had served as a Member of the Corporate Policy Council with positions including President of the Integrated Systems Sector, Corporate Vice President and General Manager of the company’s Commercial Aircraft Division and Corporate Vice President and General Manager of the B-2 Division. Prior to his industry career, Mr Crosby served as an officer in the U.S. Army, where his last military assignment was as military staff assistant to the Vice President of the United States. Mr Crosby is a graduate of the US Military Academy at West Point, and holds Master’s degrees from Harvard University, and the University of Geneva, Switzerland. He is the recipient of the James Forrestal Award from the National Defense Industrial Association, and has been awarded Chevalier of the Legion d’Honneur of France.

Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors (Supervisory Board) of American Electric Power Corporation;
- Member of the Board of Directors and of the Executive Committee of the Atlantic Council of the United States.

Former mandates for the last five years:
- Member of the Board of Directors (Supervisory Board) of Ducommun Corporation (resigned June 2013);
- Member of the Board of Directors (Supervisory Board) of Serco Group plc (until June 2017).

Lord Drayson graduated as an engineer and finished his PhD in 1985 at Aston University. In 1987 he became Managing Director of The Lambourn Food Company Limited, a subsidiary of the Trebor Group and, after a management buy-out of the Company in 1989, completed its sale to a third party in 1991. The same year, he founded Genisys Development Limited, a consultancy company for new products development and management. In 1993, he co-founded PowderJect Pharmaceuticals Plc and led its business as Chairman and CEO until it was sold to Chiron Corporation, a US company, in 2003. He co-founded Drayson Racing Technologies LLP in 2007 and, in 2014 he set up Drayson Technologies Ltd, an Internet of Things platform company of which he currently is the co-founder, Chairman and CEO.

Lord Drayson was also elected chairman of the U.K. Biotech Industry Association in 2001 and was appointed to the House of Lords and a Member of the Science and Technology Committee of the House of Lords in 2004. He was then appointed Parliamentary under Secretary of State for Defence Procurement in 2005 and became Minister of State for Defence Equipment & Support in 2006 and Minister of State for Science & Innovation in 2008.

Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Chairman and CEO of Drayson Technologies Ltd;
- Science Entrepreneur in Residence of Magdalen College, Oxford;
- Supernumerary Fellow of St. John’s College, Oxford;
- Member of Project of the “Oxfordshire Innovation Engine” Project;
- Member of Her Majesty’s Privy Council;
- Member of House of Lords;
• Co-founder and Trustee of the Drayson Foundation.

**Former mandates for the last five years:**
• Scientific Advisor Formula E Championship (until January 2013);
• Co-founder and Managing Partner Drayson Racing Technologies LLP (until April 2014);
• President of the Motorsports Industry Association (until October 2015);
• Non-Executive Director and Board Member of the Royal Navy (until November 2017);
• Trustee and External Member of Council at University of Oxford (until December 2017);
• Chairman of the Executive Committee at OUC (Oxford University Clinic) Centres of Excellence LLP (until December 2017).

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**THOMAS ENDERS**

**Curriculum Vitae**

Dr. Thomas ("Tom") Enders was appointed Chief Executive Officer (CEO) of Airbus SE, on 1 June 2012, after having been CEO of the Airbus Commercial Aircraft Division since 2007. Before that he served as Co-CEO of EADS between 2005 and 2007. He was Head of the Group's Defence Division from 2000 to 2005. He has been a member of the Executive Committee of Airbus since its creation in 2000. Prior to joining the aerospace industry in 1991, Enders worked, inter alia, as a Member of the “Planungsstab” of the German Minister of Defence and in various Foreign Policy think tanks. He studied Economics, Political Science and History at the University of Bonn and at the University of California in Los Angeles. In 2014, Enders joined the Advisory Council of the Munich Security Conference as well as the Senate of the Max-Planck-Gesellschaft. He is patron of the German Mayday Foundation which supports airmen, women and their families in times of need.

Tom Enders is a member of the BDI Board (German Industry Association) since 2009, the Governing Board of HSBC Trinkhaus since 2012, the Joint Advisory Council of Allianz SE since 2013 and the Supervisory Board of Linde AG since 2017.

**Current Mandates:**
• Chief Executive Officer of Airbus SE;
• Member of the Board of Directors of Airbus SE;
• Member of the Executive Committee of Airbus SE;
• Chairman of the Shareholder Board of Airbus SAS;
• Chairman of the Supervisory Board of Airbus Helicopters SAS;
• Chairman of the Supervisory Board of Airbus DS Holding B.V.;
• Chairman of the Supervisory Board of Airbus Defence and Space Deutschland GmbH;
• Member of the Board of Directors of BDI (German Industry Association);
• Member of the Governing Board of HSBC Trinkhaus;
• Member of the International Advisory Board of Atlantic Council of the US;
• Member of the Joint Advisory Council of Allianz SE;
• Member of the Board of Directors of WORLDVU Satellites Ltd. (OneWeb);
• Member of the Supervisory Board of Linde AG;
• Member of the Advisory Counsel of EDB.

**Former mandates for the last five years:**
• Chairman of the Advisory Council for Aeronautics Research and Innovation in Europe (ACARE) (until June 2013).

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**CATHERINE GUILLOUARD**

**Curriculum Vitae**

Catherine Guillouard began her career in 1993 at the Ministry of Economy in the French Treasury working for the department in charge of the Africa – CFA zone and later in the Banking Affairs Department. She joined Air France in 1997 as IPO Senior Project Manager. She was subsequently appointed Deputy Vice-President Finance Controlling in 1999, Senior Vice-President of Flight Operations in 2001, Senior Vice-President of Human Resources and Change Management in 2003 and Senior Vice-President of Finance in 2005. In September 2007, she joined Eutelsat as Chief Financial Officer and member of the Group Executive Committee. Catherine joined Rexel in April 2013 as Chief Financial Officer and Group Senior Vice-President. Between May 2014 and February 2017 she has been Deputy Chief Executive Officer of Rexel. Catherine Guillouard, born in 1965, is a graduate of the Institute of Political Studies of Paris and the Ecole Nationale d'Administration and she has a PhD of European laws (Pantheon- Sorbonne).
Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of ENGIE;
- Chief Executive Officer of RATP.

Former mandates for the last five years:
- Deputy Chief Executive Officer of Rexel (until February 2017);
- Independent Member of the Board of Directors of Technicolor (until August 2013);
- Independent Member of the Board of Directors of ADP (until September 2013).
HANS-PETER KEITEL

Curriculum Vitae

Hans-Peter Keitel served as President of the Federation of German Industries (BDI) from 2009 to 2012. Prior to this he served nearly 20 years at Hochtief – first as Director and Board member for International Business and subsequently from 1992 to 2007 as Chief Executive Officer. From 1992 until 1999 he was Member of the Executive Board of Hochtief’s mother company, RWE AG. He started his career in 1975 at Lahmeyer International as a technical advisor and project manager being involved in large scale global infrastructure projects in over 20 countries. He also advised the arranging banks of the Channel Tunnel Consortium. Mr Keitel graduated from the Universities of Stuttgart and Munich in Construction Engineering and Economics and has received a PhD in Engineering from the University of Munich.

Current Mandates:
• Member of the Board of Directors of Airbus SE;
• Member of the Supervisory Board of RWE AG;
• Chairman of the Supervisory Board and the Shareholders Committee of Voith KGaA;
• Member of the Supervisory Board of ThyssenKrupp AG;
• Deputy Chairman of the Supervisory Board of National-Bank AG.

Former mandates for the last five years:
• Member of the Supervisory Board of Deutsche Messe AG (until 2013).
HERMANN-JOSEF LAMBERTI

Hermann-Josef Lamberti was Member of the Management Board of Deutsche Bank AG from 1999 until 2012 and operated as the bank’s Chief Operating Officer. As COO he had global responsibility for Human Resources, Information Technology, Operations and Process Management, Building and Facilities Management as well as Purchasing. He joined Deutsche Bank in Frankfurt in 1998 as Executive Vice President. From 1985, he held various management positions within IBM, working in Europe and the United States, in the fields of controlling, internal application development, sales, personal software, marketing and brand management. In 1997, he was appointed Chairman of the Management of IBM Germany. Mr. Lamberti started his career in 1982 with Touche Ross in Toronto, before joining the Chemical Bank in Frankfurt. He studied Business Administration at the Universities of Cologne and Dublin, and graduated with a Master’s degree.

Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Member of the Board of Trustees of Institute for Law and Finance Frankfurt;
- Member of the Advisory Board of Wirtschaftsinitiative FrankfurtRheinMain e.V.;
- Member of the Board of Trustees of Johann Wolfgang Goethe-Universität Fachbereich Wirtschaftswissenschaften;
- Member of the Board of Trustees of Frankfurt Institute for Advanced Studies (FIAS) of Goethe-Universität;
- Member of the Supervisory Board of ING Group N.V.:
- Senior Business Advisor of Advent International GmbH;
- Owner / Managing Director of Frankfurt Technology Management GmbH;
- Chairman of the Supervisory Board of Addiko Bank AG.

Former mandates for the last five years:
- Member of the Board of LDM – Lefdal Data Mine, AS, Maloy, Norway (until December 2017);
- Member of the Board of Stonebranch INC., Alpharetta, Georgia, USA (until June 2017);
- Member of the Supervisory Board Open-Xchange AG (until June 2016);
- Member of the Advisory Board of Barmenia Versicherungen Wuppertal (until December 2014);
- Member of the Managing Committee of Institut für Wirtschaftsinformatik der HSG Universität St. Gallen (until December 2013);
- Member of the Board of Trustees of Frankfurt International School e.V. (until December 2013);
- Member of the University Council of University of Cologne (until June 2013);
- Member of the Steering Committee and of the Federal Committee Wirtschaftsrat der CDU e.V. (until June 2013);
- Member of the Supervisory Board of Carl Zeiss AG (until March 2013);
MARIÁ AMPARO MORALEDÁ MARTÍNEZ

Curriculum Vitae

Amparo Moraleda graduated as an industrial engineer from the ICAI (Escuela Técnica Superior de Ingeniería Industrial) Madrid and holds PDG from IESE Business School in Madrid. Between January 2009 and February 2012, she was Chief Operating Officer of Iberdrola SA’s International Division with responsibility for the United Kingdom and the United States. She also headed Iberdrola Engineering and Construction from January 2009 to January 2011. Previously, she served as General Manager of IBM Spain and Portugal (2001-2009). In 2005 her area of responsibility was extended to encompass Greece, Israel and Turkey as well. Between 2000 and 2001, she was executive assistant to the chairman and CEO of IBM Corporation. From 1998 to 2000, Ms Moraleda was General Manager of INSA (a subsidiary of IBM Global Services). From 1995 to 1997, she was HR Director for EMEA at IBM Global Services and from 1988 to 1995 held various professional and management positions at IBM España. Ms Moraleda is also a member of various boards and trusts of different institutions and bodies. She is member of the academy of “Ciencias Sociales y del Medio Ambiente” of Andalucía (Spain), member of the board of trustees of MD Anderson Cancer Centre in Madrid, CurArte Foundation in Madrid, member of the International Advisory Board of Instituto de Empresa Business School and member of the Board of the global alumni association of IESE Business School.

In May 2017 she was inducted as a member of the Spanish Royal Academy of Economic and Financial Sciences.

Current Mandates:
- Member of the Board of Directors of AirbusSE;
- Member of the Board of Directors of Vodafone plc;
- Member of the Board of Directors of Solvay SA;
- Member of the Board of Directors of Caixabank;
- Member of the Supervisory Board of CSIC (Consejo Superior d'Investigaciones Científicas);
- Member of the Advisory Board of SAP Spain;
- Member of the Advisory Board of Spencer Stuart Spain.

Former mandates for the last five years:
- Member of the Advisory Board of KPMG Spain (until June 2017);
- Member of the Board of Directors of Faurecia SA (until October 2017);
- Member of the Board of Directors of Meliá Hotels International SA (until June 2015);
- Member of the Board of Directors of Alstom SA (until June 2015);
- Member of the Board of Corporación Financiera Alba SA (until May 2015).

CLAUDIA NEMAT

Curriculum Vitae

Born in 1968, Claudia Nemat has been a member of the Board of Management of Deutsche Telekom AG since October 2011. Mrs. Nemat led the European business of DT until the end of 2016. Since January 2017 she has led the new Board area Technology & Innovation.

Before joining Deutsche Telekom AG, Claudia Nemat spent 17 years working for McKinsey & Company where she was elected Partner in 2000, and Senior Partner (“Director”) in 2006. Among other responsibilities during her time there, she was Co-leader of the global Technology Sector and led the unit for Europe, the Middle East and Africa.

Her main areas of expertise include large-scale strategic and operational turnaround and transformation programs, digital transformation and industrial politics. Mrs. Nemat has worked in numerous European countries as well as North and South America. She was a member of the Supervisory Board of Lanxess AG from 2013 until 2016. Mrs. Nemat has been a member of the Board of Directors of Airbus and a member of the Supervisory Board of Airbus Defence and Space GmbH since May 2016.

Claudia Nemat studied physics at University of Cologne, where she has also taught at the department of Physics and Mathematics.

Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Member of the Board of Directors of Airbus Defence and Space GmbH;
- Member of the Management Board of Deutsche Telekom AG;
- Chairperson of the Supervisory Board of Deutsche Telekom IT GmbH (related to Deutsche Telekom);
- Member of the University Council of University of Cologne.

Former mandates for the last five years:
• Chairperson and Member of the Board of Buyin (related to Deutsche Telekom) (until January 2017);
• Member of the Board of OTE (related to Deutsche Telekom) (until January 2017);
• Member of the Supervisory Board of LANXESS AG (until May 2016);
• Director of EE Limited (UK) (related to Deutsche Telekom) (until 2014).

SIR JOHN PARKER

Curriculum Vitae
Sir John Parker is Chairman of Anglo American PLC, Chairman of Pennon PLC, Non-Executive Director of Carnival PLC and Carnival Corporation. He has completed his term 2011-2014 as President of the Royal Academy of Engineering. He stepped down as Chairman of National Grid PLC in December 2011. His career has spanned the engineering, shipbuilding and defence industries, with some 25 years’ experience as CEO including Harland & Wolff and the Babcock International Group. He also chaired the Court of the Bank of England between 2004 and 2009. Sir John Parker studied Naval Architecture and Mechanical Engineering at the College of Technology, Queens University, Belfast.

Current Mandates:
• Member of the Board of Directors of Airbus SE;
• Director of Carnival PLC and Carnival Corporation;
• Chairman Anglo American PLC;
• Chairman Pennon Group PLC;
• Director of White Ensign Association Ltd.;
• Visiting fellow of the University of Oxford.

Former mandates for the last five years:
• Deputy Chairman of D.P. World (Dubai) (until July 2015);
• President of the Royal Academy of Engineering (until September 2014).
CARLOS TAVARES

Curriculum Vitae

Carlos Tavares is a graduate of École Centrale Paris. He held a number of different positions with the Renault Group from 1981 to 2004 before joining Nissan. In 2009, he was appointed Executive Vice President, Chairman of the Management Committee Americas and President of Nissan North America. He was named Group Chief Operating Officer of Renault in 2011. Since 1 January 2014, he has joined the Managing Board of PSA Peugeot Citroën. He was named Chairman of the Managing Board since 31 March 2014.

Current Mandates:
- Member of the Board of Directors of Airbus SE;
- Director of Banque PSA Finance;
- Director of Faurecia SA;
- Chairman of the Board of Directors of Peugeot Citroën Automobiles SA;
- Member of the Board of Directors of Total Group.

Former mandates for the last five years:
- Manager of Bed&Breakfast in Lisbon (until March 2015);
- Director of PCMA Holding B.V. (until October 2014);
- Member of the Managing Board of Nissan Alliance (until August 2013);
- Chief Operating Officer of Renault (until August 2013);
- Director of Renault Nissan B.V. (until August 2013);
- Director of AvtoVAZ (until August 2013);
- Director of Alpine – Caterham (until August 2013).

Independent Directors

The Independent Directors appointed pursuant to the criteria of independence set out above are Denis Ranque, Ralph Crosby, Catherine Guillouard (from AGM 2016), Hans-Peter Keitel, Hermann-Josef Lamberti, Lakshmi N. Mittal, Maria Amparo Moraleda Martinez, Claudia Nemat (from AGM 2016), Sir John Parker, Carlos Tavares (from AGM 2016) and Jean-Claude Trichet.

Prior Offences and Family Ties

To the Company’s knowledge, none of the Directors (in either their individual capacity or as Director or senior manager of any of the entities listed above) has been convicted in relation to fraudulent offences, been the subject of any bankruptcy, receivership or liquidation, nor been the subject of any official public incrimination and/or sanction by a statutory or regulatory authority, nor been disqualified by a court from acting as a Member of the administrative, management or supervisory bodies of any issuer or conduct of
affairs of any company, during at least the last five years. As of the date of this document, there are no family ties among any of the Directors.

(iii) Operation of the Board of Directors in 2017

Board of Directors Meetings

The Board of Directors met nine times during 2017 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational plans. The average attendance rate at these meetings was 91%.

Throughout 2017, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes of the commercial aircraft business, Defence and Space as well as Helicopters. This comprised inter alia the remedy of the technical issues hampering the ramp-up of the A400M and the A320neo programmes as well as the efforts to restore the market of the Super Puma helicopter programme after the safety issues due to accidents. In addition, the development of the A330neo, the ramp-up and extension of the A350XWB and the future of the A380 programmes were closely monitored; in the Defence and Space area this comprised the development of unmanned aerial systems as well as the space business’ next generation launcher Ariane 6 and the OneWeb satellites constellation programme.

Last year’s off-site Board meeting in September in Hamburg was dedicated to the review of the division and product strategies and the related business developments as well as the overall strategy of Airbus. The Board of Directors seized the opportunity to visit the A320 final assembly and A350 subassembly facilities as well as the A350 Customer Definition Center and the Center of Applied Aeronautical Research.

In 2017, the Board of Directors continued to support the digitalisation initiative, which was started in 2015 to enhance Airbus ability to identify and capitalise on innovative and transformational technologies and business models. The reorganisation and refocusing of the CTO department on its fundamental tasks of guiding and coordinating overall activities, developing group-wide roadmaps / demonstrators as well as technical expertise and blue-sky research was successfully pursued and delivered already promising results.

The merger of Airbus Group and Airbus brought an overhaul of the corporate set-up, simplifying the company’s governance, eliminating redundancies and creating further efficiencies, while at the same time driving further integration of the entire group.

Moreover, the Board of Directors reviewed Airbus’ financial results and forecasts and put specific emphasis on Enterprise Risk Management supported by a strengthened internal audit organization. The corporate social responsibility initiatives were further focused and renamed “Responsibility and Sustainability” (R&S).

A substantial share of the Board activities was dedicated to compliance matters. Among other areas, emphasis was put on further strengthening the Airbus compliance programme, building on the ‘Business Development Support Initiative’ which was started in 2015. The comprehensive training programme set up last year continued to further raise awareness, to reduce risks and more generally to improve the culture of integrity of Airbus. As a consequence of the SFO/PNF investigations, Airbus has transformed the Ad-Hoc Committee that dealt initially with the investigations into a regular Ethics and Compliance Committee with a wider remit to oversee ethics and compliance. The Ethics and Compliance Committee will continue to closely monitor the investigations in view to showing the authorities the committee’s thorough and independent approach. In addition, the “Independent Compliance Review Panel”, composed of renowned international experts, was introduced to oversee and benchmark the respective activities.

The Board of Directors also decided to perform an external evaluation of the top two tiers of the Executive management in order to reinforce its appreciation of the Company’s strength in succession planning and ensure that the right development plans are in place. In particular, the Board has launched an in-depth succession planning review for the top management of the company; following the first announcements made in December 2017, this process will continue in 2018 with the objective of being ready for the AGM to be held in 2019, given the CEO’s announcement that he does not intend to seek extension of his mandate beyond this date.

Board Evaluation 2017

As a matter of principle, the Board of Directors has decided that a formal evaluation of the functioning of the Board of Directors and its Committees with the assistance of a third-party expert is conducted every three years. In the year succeeding the outside evaluation, the Board of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third-party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2017 marked the beginning of a new three-year cycle. In September 2017, the Board of Directors therefore carried out an external evaluation based on a questionnaire issued by a third-party expert and circulated to each Board Member.

The Board of Directors was satisfied overall with the continuous progress made during the first three years Board review cycle and has decided to start a new review cycle with the support of Heidrick & Struggles as the third-party expert.

Each one of the Board Members had an in-person discussion with the third-party expert to cover governance, effectiveness and composition of the Board of Directors and the committees, areas of expertise and working process of the Board of Directors, relationships between the members of the Board of Directors, the Chairman, the management, shareholders and stakeholders as well as scope and composition of topics and preparation for the future.

Following the last Board review, the Board of Directors spent additional time on risk management, strategy and other topics, such as benchmarking on competitors, products and digital transformation. Notable progress has also been made in discussions on strategy, risk management and digital transformation, with strong leadership coming from the CEO and the executive team.

In the 2017 evaluation, the Board Members confirmed the need to continue working hard to reinforce cohesiveness as well as team work within the Board and its Committees, in particular in challenging times and under significant pressure. Some areas of improvement
require more attention from the Board such as: corporate and social responsibility, employee engagement, industrial strategy and operations efficiency and succession planning.

Board Members notably valued balance of powers, open debates within the Board of Directors, positive contribution of the Board Committees, creation and performance of the new Ethics and Compliance Committee and constructive and challenging interactions between the Board of Directors and the management, while highlighting that there remains room for further progress in this area. The Board of Directors has also identified ways to improve effectiveness in the preparation of Board meetings, as well as the quality and level of information provided to the Board Members prior to and between Board meetings. The induction programme for new Board Members and off-site Board meetings are also appreciated.

The Board will increase efforts to evaluate the performance and competitiveness of the Company, increase anticipation in a challenging environment and prepare for the future, notably from a leadership standpoint.

In addition, the Board Members highlighted the necessity to continue with the process of the staggering Board principle, decided at the 2016 Annual General Meeting. This is intended to further develop the diversity of expertise, gender and nationalities within the Board of Directors.

4.1.1.2 Board Committees

a) The Audit Committee

The Audit Committee has four (4) Members and is chaired by an Independent Director who is not the Chairman of the Board of Directors or a current or former Executive Director of the Company. The Chairman of the Audit Committee shall be, and the other members of the Audit Committee may be, financial experts with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the accounts, and it monitors the adequacy of Airbus’ internal controls, accounting policies and financial reporting. It also oversees the operation of Airbus’ Enterprise Risk Management (“ERM”) system and the ethics and compliance organisation. For further details in this regard, see “— 4.1.3.: Enterprise Risk Management System”. Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The Chief Financial Officer (“CFO”) and the Head Accounting Record to Report are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit & Forensic and the Chief Ethics and Compliance Officer are requested to report to the Audit Committee on a regular basis.

In 2017, it met six times with an average attendance rate of 83%, it discussed all of the above-described items during the meetings and it fully performed all of the above-described duties.

b) The Ethics and Compliance Committee

To reinforce oversight of ethics and compliance matters at the Board of Directors level, a dedicated Ethics and Compliance Committee (“E&C Committee” or “ECC”) was established in 2017 and the Board Rules have been amended accordingly. The E&C Committee replaced a temporary Ad-Hoc Committee that was created in 2016 in respect of similar matters. Pursuant to the Board Rules the main mission of the E&C Committee is to assist the Board in monitoring Airbus’ culture and commitment to ethical business and integrity. This committee is empowered to oversee Airbus’ ethics and compliance programme, organisation and framework for an effective ethics and compliance governance (including all associated internal policies, procedures and controls), which includes the areas of money laundering and terrorist financing, fraud, bribery and corruption, trade sanctions and export control, data privacy, procurement and supply chain compliance and anti-competitive practices.

The E&C Committee has five (5) Members and is chaired by any of its members. Each member should be an Independent Director. Both the chairman of the Audit Committee and the chairman of the RNGC is a member of the E&C Committee.

The E&C Committee makes recommendations to the Board of Directors and its Committees on all ethics and compliance-related matters and is responsible for providing to the Audit Committee any necessary disclosures on issues or alleged ethical and compliance breaches that are financial and accounting-related. The E&C Committee maintains a reporting line with the Chief Ethics and Compliance Officer, who is requested to provide periodic reports on its activities.

The Chairman of the Audit Committee and the Chairman of the RNGC are members of the E&C Committee. Unless otherwise decided by the E&C Committee, the CEO is invited to attend the meetings. From time to time, independent external experts and the Independent Compliance Review Panel are also invited to attend E&C Committee meetings.

The E&C Committee is required to meet at least four times a year. In 2017, the E&C Committee and its predecessor, the Ad-Hoc Committee, met in total ten times with an average attendance rate of 85%. All of the above described items were been discussed during the meetings. Both, the E&C Committee and the temporary Ad-Hoc Committee fully performed all the above-described duties.

c) The Remuneration, Nomination and Governance Committee

The RNGC has four (4) Members, with geographic diversity. Each Member of the RNGC is an Independent Director. One Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the French State Security Agreement. One
Member of the RNGC is a Director who is appointed to the Board of Directors on the basis of the German State Security Agreement. The Board of Directors, by a Simple Majority (defined below), appoints the chair of the RNGC, who may not be any of the following:

• the Chairman of the Board of Directors;
• a current or former Executive Director of the Company;
• a Non-Executive Director who is an Executive Director with another listed company; or
• a Director appointed to the Board of Directors on the basis of the French State Security Agreement or the German State Security Agreement.

Pursuant to the Board Rules, besides its role described in section 4.1.1 above, the RNGC consults with the CEO with respect to proposals for the appointment of the Members of the Executive Committee, and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning (at Board, Executive Committee and Senior Management levels), remuneration strategies and long-term remuneration plans. Furthermore the Committee decides on the service contracts and other contractual matters in relation to the Members of the Board of Directors and the Executive Committee. The rules and responsibilities of the RNGC have been set out in the Board Rules.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the RNGC. The Chief Human Resources Officer (“CHRO”) is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC reviews top talents, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Executive Committee Members, the Long-Term Incentive Plans (“LTIP”), and the variable pay for the previous year.

Finally, the RNGC performs regular evaluations of the Company’s corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position (“best person for the job”), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however, not create any restrictions on the diversity within the Company’s executive management team.

The RNGC is required to meet at least four times a year. In 2017, it met nine times with an attendance rate of 92%, it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.1.3 The Executive Committee

a) Nomination and Composition

The Executive Committee of Airbus (the “Executive Committee”) is chaired by the Chief Executive Officer and its members are appointed on the basis of their performance of their individual responsibilities as well as their respective contribution to the overall interest of Airbus.

The CEO proposes all of the Members of the Executive Committee for approval by the Board of Directors, after consultation with (i) the Chairman of the RNGC and (ii) the Chairman of the Board of Directors, applying the following principles:

• the preference for the best candidate for the position;
• the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of the four Member States of the EU where these main industrial centres are located); and
• at least 2/3 of the Members of the Executive Committee, including the CEO and the Chief Financial Officer (“CFO”), being EU nationals and residents.

The Board of Directors determines, by simple majority vote, whether to approve all of the Members of the Executive Committee as proposed by the CEO.

b) Role of the Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus’ business and he shall be accountable for its proper execution. For this purpose, the CEO seeks regularly advice from its core executive management team (“EMT”), which comprises some of the Executive Committee Members, on Airbus-wide topics such as corporate matters or major ongoing projects as well as on business development and performance improvement opportunities.

The Executive Committee further supports the CEO in performing these tasks, ensuring proper alignment of the Company’s management beyond the EMT. The Executive Committee Members shall jointly contribute to the overall interests of the Company, in addition to each Member’s individual operational or functional responsibility within Airbus. The CEO endeavours to reach consensus among the Members of the Executive Committee. In the event a consensus is not reached, the CEO is entitled to decide the matter.

c) The Executive Committee in 2017

The Executive Committee comprises the heads of the Divisions and key functions of the Company, and is dedicated to exchange and align on important matters such as:
• Appointment by the heads of the Airbus Divisions and functions of their management teams;
• Major investments/divestments;
• Settling up and control of the implementation of the strategy for Airbus’ businesses;
• Airbus policy matters and management and organisational structure of the business;
• Definition of the Company’s financial performance and business performance strategy and targets;
• Business issues, including the operational plan of the Company and its Divisions.

It is also the forum where the information or requests for approval destined for the Board are discussed and approved. The CEO is the only Executive Director within the Board of Directors and represents the Company on the Board. But, depending on the respective topic, he usually asks the responsible Executive Committee Member to join him in the Board for presenting the financials (CFO), programme/product topics (Division head), HR matters (CHRO) or any other topic where a specialist is needed. This approach allows that the Board Members get to know the Executive Committee Members equips them to make judgements when it comes to decisions about key positions.

The Executive Committee met four times during 2017.

### COMPOSITION OF THE EXECUTIVE COMMITTEE AT THE END OF 2017

<table>
<thead>
<tr>
<th>Name</th>
<th>Start of term</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tom Enders</td>
<td>2012</td>
<td>Chief Executive Officer Airbus</td>
</tr>
<tr>
<td>Fernando Alonso</td>
<td>2015</td>
<td>Head of Military Aircraft Airbus Defence and Space</td>
</tr>
<tr>
<td>Thierry Baril</td>
<td>2012</td>
<td>Chief Human Resources Officer Airbus &amp; Airbus Commercial Aircraft</td>
</tr>
<tr>
<td>Fabrice Brégier</td>
<td>2012</td>
<td>Chief Operating Officer Airbus and President Airbus Commercial Aircraft</td>
</tr>
<tr>
<td>Guillaume Faury</td>
<td>2013</td>
<td>Chief Executive Officer Airbus Helicopters</td>
</tr>
<tr>
<td>John Harrison</td>
<td>2015</td>
<td>Group General Counsel Airbus</td>
</tr>
<tr>
<td>Dirk Hoke</td>
<td>2016</td>
<td>Chief Executive Officer Airbus Defence and Space</td>
</tr>
<tr>
<td>John Leahy</td>
<td>2012</td>
<td>Chief Operating Officer – Customers Airbus Commercial Aircraft</td>
</tr>
<tr>
<td>Allan McArtor</td>
<td>2014</td>
<td>Chief Executive Officer Airbus North America</td>
</tr>
<tr>
<td>Klaus Richter</td>
<td>2015</td>
<td>Chief Procurement Officer Airbus &amp; Airbus Commercial Aircraft</td>
</tr>
<tr>
<td>Harald Wilhelm</td>
<td>2012</td>
<td>Chief Financial Officer Airbus</td>
</tr>
<tr>
<td>Tom Williams</td>
<td>2015</td>
<td>Chief Operating Officer Airbus Commercial Aircraft</td>
</tr>
</tbody>
</table>

Note: Status as of 1 January 2018. The professional address of all Members of the Executive Committee for any matter relating to Airbus is Mendelweg 30, 2333 CS Leiden, the Netherlands.

Tom Enders – Chief Executive Officer Airbus

(see above under “-- 4.1.1.1 Board of Directors”)
Fernando Alonso – Head of Military Aircraft Airbus Defence and Space

Fernando Alonso was named as Head of Military Aircraft, Airbus Defence and Space on 29 January 2015 and took up the position on 1 March 2015. He is a member of the Airbus Defence and Space Executive Committee and on 1 July 2015 was appointed to the Executive Committee. Previously he was Senior Vice President Flight and Integration Tests, Head of Flight Operations since September 2007, and, before that, Vice President Flight Test Division since February 2002.

Fernando Alonso began his professional career with McDonnell Douglas in Long Beach, California in 1979 as a performance engineer in the company’s flight test department. Three years later, he joined Airbus as a performance engineer in the flight division.

While remaining with Airbus, he graduated as a flight test engineer at l’Ecole du Personnel Navigant d’Essais et de Réception (EPNER) in 1990, and then became a flight test engineer responsible for aircraft performance of the A330, A340 and A321.

Between 1995 and 2002, Fernando was responsible for the development of flight controls and handling qualities during the flight test programmes of the A319, A330-200, A340-500 and A340-600. Subsequently, he was deeply involved in the organisation and coordination of the flight test campaign of the A380.

During a career at Airbus that has spanned more than 30 years, Fernando has accumulated more than 4,300 hours of flight tests. He was a flight test engineer on the maiden flights of A340-200 in 1992, the A319 in 1997, the A380 in April 2005 and most recently the A350 XWB in June 2013.

Born in Madrid, Spain in 1956, he obtained a degree from the Polytechnic University of Aeronautical Engineers in Madrid in 1979. He is a keen skier and tennis player. He and his family are also actively involved in the French charity Pour un Sourire d’Enfant, funding and organising summer camps for underprivileged children who live in a municipal dump in Phnom Penh, Cambodia.

Thierry Baril – Chief Human Resources Officer Airbus & Airbus Commercial Aircraft

Thierry Baril was appointed Chief Human Resources Officer of Airbus on 1 June 2012. In addition, Baril continues to serve as Airbus Commercial Aircraft Chief Human Resources Officer.

Thierry Baril joined Airbus Commercial Aircraft in 2007 as Executive Vice President, Human Resources, and Member of the Airbus Commercial Aircraft Executive Committee, with responsibility for defining and implementing a company-wide Human Resources strategy, enhancing integration and employee engagement. He oversaw the development of key skills and competences to support business growth and greater internal mobility. One of his main achievements was the transformation of the company in the areas of leadership culture and diversity, having played a key role in the implementation of “Vital”, a programme which transformed Eurocopter as a business.

Prior to this, Thierry Baril was Executive Vice President Human Resources at Eurocopter – now Airbus Helicopters – and member of the Eurocopter Executive Committee from January 2003. In this position, Baril managed the company’s Human Resources activities globally, including the implementation of Human Resources policies across Eurocopter’s European sites and its 15 subsidiaries worldwide. He was instrumental in the implementation of “Vital”, a programme which transformed Eurocopter as a business.

Thierry Baril started his career in 1988 as Deputy Human Resources Director at Boccard SA, and transferred to Laborde & Kupfer-Repelec, a subsidiary of GEC ALSTHOM, as Human Resources Manager in 1991.

From 1995, Thierry Baril held roles as Human Resources Director of the Alstom Energy Belfort site and Vice President of Human Resources of the Alstom Energy Group.

Following on from his experience at Alstom Energy, in 1998 Thierry Baril became Managing Director of Human Resources for Europe for GE (General Electric) at their Belfort Headquarters, followed by Vice President of Human Resources at Alcatel Space’s Headquarters in Toulouse from 2000.

Fabrice Brégier – Chief Operating Officer Airbus and President Airbus Commercial Aircraft

Fabrice Brégier was appointed President of Airbus Commercial Aircraft & Chief Operating Officer Airbus on 1 January 2017. He previously was the President and Chief Executive Officer of the Airbus Commercial Aircraft Division since June 2012. In 2017, Mr Brégier was a member of the Executive Committee.

He started his career in 1983 as a test engineer at the Creys-Malville nuclear power station, becoming sales manager for Péciney (Japan) in 1984. In 1986 he joined the DRIRE Alsace (Ministry of Industry) and was then appointed Director of Economic and Financial Affairs with the Ministry of Agriculture in 1989.

Having been Advisor to several French Ministers, Mr. Brégier joined Matra Défense in 1993 as Chairman of the Apache MAW GIE (co-operation with Dasa) and Chairman of the Eurodrone GIE (with STN-Atlas). In 1996 he was appointed Director of Stand-Off activities (Apache, Scalp EG/Storm Shadow) in what had become Matra BAe Dynamics.

In 1998, Mr. Brégier became CEO of Matra BAe Dynamics. He was appointed CEO of MBDA, the leading European missile systems company that was created in 2001 by Aerospatiale Matra, British Aerospace and Finmeccanica. In 2003, Fabrice Brégier became President and CEO of the Eurocopter Group and was appointed Head of EADS’ Eurocopter Division in June 2005.

Mr. Brégier was appointed Airbus Chief Operating Officer (COO) in October 2006. As a Member of the EADS Executive Committee, he was commissioned by Louis Gallois to improve the overall operational performance of the Group. His responsibilities included the company’s wide-ranging restructuring and change programme (Power8), the Executive Committee functions Operations, Engineering and Procurement, and the A350 XWB programme.

Mr. Brégier graduated from the Ecole Polytechnique in 1980 and from the Ecole des Mines. He was born in 1961 in Dijon, France.
Guillaume Faury – CEO Airbus Helicopters

Guillaume Faury became Chief Executive Officer (CEO) of Airbus Helicopters – formerly Eurocopter – on 1 January 2014 and is a member of the Executive Committee.

Prior to assuming this position, he had been CEO of Eurocopter since May 2013. He joined Eurocopter from Peugeot S.A., where he had served as Executive Vice President for Research and Development since 2010 and as a Member of the Managing Board since 2009.

Guillaume Faury, a licensed flight test engineer, served in various senior management functions at Eurocopter from 1998 to 2008 before joining Peugeot S.A. He was Chief Engineer for the EC225/725 programme, Head of the Heavy Helicopter Flight Test department, Executive Vice President for Commercial Programmes and, ultimately, Executive Vice President for Research & Development. Guillaume Faury also was a member of the Eurocopter Executive Committee.

He started his professional career with the French Defence Procurement Agency DGA, where he was in charge of Tiger helicopter flight test activities at the Istres Flight Test Centre.

Guillaume Faury, born in February 1968, holds an engineering degree from the Ecole Polytechnique in Paris as well as an aeronautics and engineering degree from the Ecole Nationale Supérieure de l’Aéronautique et de l’Espace in Toulouse.

Dirk Hoke – CEO Airbus Defence and Space

Dirk Hoke is the designated Chief Executive Officer (CEO) of Airbus Defence and Space as of 1 April 2016. He started on 1 January 2016 as Deputy CEO. He is a member of the Executive Committee.

Dirk Hoke joined Airbus from Siemens, where he had been CEO of the Large Drives Business Unit since 2014. He has held various executive-level positions at Siemens since becoming CEO of the Cluster Western & Central Africa in 2008. His career spans 21 years and five continents.

In 1994, Dirk Hoke began his professional career as R&D Engineer for process and software analysis in the automotive industry at Renault in Paris. In 1996, he joined Siemens through an international trainee programme with assignments in Germany, Argentina and Austria. He then held various management posts in the Transportation Systems Division based in Germany. He relocated to Sacramento, USA, as Head of the Transportation Systems restructuring team in 2001.

Dirk Hoke continued his professional career at Siemens as General Manager for the Transrapid Propulsion and Power Supply Subdivision from 2002 to 2005 including the Shanghai “Maglev” project. He was then promoted to President of Siemens Transportation Systems China and made Siemens the largest foreign railway supplier in the country.

In 2008, Dirk Hoke moved to Morocco to lead Siemens’ Africa activities. He returned to Germany in 2011 to become the Division CEO of Industrial Solutions with the special task to build up the services business for the Industry Sector. Afterwards, he was called upon to restructure the Large Drives Business Unit.

Dirk Hoke holds a degree in mechanical engineering from the Technical University of Brunswick, Germany. In 2010, Dirk Hoke became a member of the Young Global Leader Class of the World Economic Forum and in 2013, member of the Baden Baden Entrepreneur Talks.

Born on 2 April 1969, Dirk Hoke is married with two children.

John Harrison – General Counsel Airbus

John Harrison has been General Counsel since June 2015. Solicitor of the Supreme Court of England & Wales, John Harrison completed his academic studies at the University of McGill, Montréal, Canada. He holds a Bachelor LLB (Hons) and Masters LLM of Laws degree.


He joined Airbus then Technip S.A. where he served as Group General Counsel and Member of the Executive Committee from 2007-2015.

Prior to joining Technip, Mr Harrison fulfilled various senior legal positions in Airbus companies over a ten year period culminating his tenure from 2003-2007 as General Counsel of the EADS Defence Division.

John Harrison was born on 12 July 1967 in the United Kingdom.

John Leahy – Chief Operating Officer-Customers Airbus Commercial Aircraft

John Leahy was appointed Chief Operating Officer – Customers of Airbus in July 2005 and assumed the same role for Airbus Commercial Aircraft effective from 1 January 2017. He continued his responsibilities as Chief Commercial Officer of the Airbus Commercial Aircraft division, a role he had held since August 1994. His responsibilities covered all commercial activities including sales, marketing, contracts, business transaction control, asset management, leasing, and business development. Leahy was a member of the Airbus Executive Committee in 2017.

One of Leahy’s greatest achievements was to raise Airbus’ market share from 18% in 1995 to over 50% by the turn of the century, where it has been maintained over the last 14 years. He also led the commercial activities that resulted in the successful launch of Airbus next generation flagship aircraft which set the standards for large aircraft in the 21st century, the A380 and the A350 XWB. Leahy was also a key player in the launch of the A320neo (New Engine Option) family, which has become the fastest selling aircraft programme in aviation history. He was also instrumental in the launch of the A350 XWB family as well as the A330neo.
John Leahy worked for seven years in marketing at Piper Aircraft before joining Airbus North America in January 1985. He became Head of Sales in 1988 and then became President of Airbus North America. Leahy was responsible for the penetration of the strategic North American market, where most major U.S. airlines are now Airbus customers.

John Leahy has an MBA from Syracuse University with concentration in both Finance and Transportation Management and a BA from Fordham University with a dual major in Communications and Philosophy. He also holds an honorary doctorate degree from Christian Brothers University in Memphis, Tennessee, in recognition of his role in the development and application of procurement processes and tools across the Group. Richter is also responsible for the Airbus Regional Sourcing Offices in the U.S., India and China.

In January 2017, Klaus Richter also assumed the role of the president of the German Aerospace Industries Association (BDLI).

Richter joined Airbus in November 2007 as Executive Vice President Procurement for Airbus. Before joining the Group, Richter was Senior Vice President Materials Purchasing for BMW, based in Munich, Germany. In this position, he was heading all supplier relations for direct materials and equipment across the entire company.

Klaus Richter began his professional career with McKinsey & Company in 1993 as a management consultant for automotive, electronics and aerospace businesses and product development, a role which he retained until he joined the BMW Group in 2003 as Head of Purchasing Strategy for production materials.

Richter graduated from the Technical University of Munich where he obtained a doctorate in mechanical engineering in 1991. After graduation he received a Humboldt scholarship and spent two years as a researcher and teacher at the University of California at Berkeley.

Born in Munich on 29 September 1964, Klaus Richter is married with two children.

Harald Wilhelm – Chief Financial Officer Airbus

Harald Wilhelm has been Chief Financial Officer of Airbus and Airbus Commercial Aircraft since 1 June 2012 and is a member of the Executive Committee.

He has held the role of Airbus Commercial Aircraft CFO since 1 February 2008. Previously, he was Airbus Commercial Aircraft Chief Controlling Officer and deputy to the Chief Financial Officer, a position to which he was appointed on 1 January 2007.

Prior to this, he was Senior Vice President, Airbus Commercial Aircraft Financial Control, a role he held from 2003 to 2006. Wilhelm joined Airbus Commercial Aircraft in 2000 as Senior Vice President, Accounting, Tax and Financial Services.

Before joining Airbus, Wilhelm had been Vice President M&A (mergers and acquisitions) at DaimlerChrysler Aerospace from 1998, where he worked on projects including the integration of Airbus into a single company. Prior to this, he had been Senior Manager M&A at Daimler-Benz Aerospace from 1995 to 1998 and M&A Manager for the company between 1992 and 1993.

Born in April 1966 in Munich, Wilhelm has a degree in Business Studies from Ludwig Maximilians University in Munich.

Tom Williams – Chief Operating Officer Airbus Commercial Aircraft
Tom Williams was appointed Chief Operating Officer (COO) of Airbus Commercial Aircraft in January 2015. He is responsible for the overall operations including Engineering, Procurement and Supply Chain Management. Tom is a member of the Executive Management Team of Airbus and the Airbus Commercial Aircraft Executive Committee.

Previously Tom was Airbus Commercial Aircraft Executive Vice President Programmes, a position he held from July 2005. His role covered all Airbus aircraft families and as such, he was in charge of ensuring the profitability of the civil programmes, of leading the product policy and the development of new products, as well as ensuring proper delivery to the customers. Before being appointed to this position, he had been Executive Vice President Procurement since February 2004.

After completing an apprenticeship with Rolls-Royce Aero Engines in 1972, Tom went on to carry out increasingly senior roles in a number of UK manufacturing companies.

In 1992 he was appointed Operations Manager for Cummins Engines, looking after all manufacturing at the company’s 1,200-strong Scottish factory. At the start of 1995 he became Manufacturing and Business Group Director for the Sensors activity of Pilkington Optronics – a joint venture with Thomson CSF of France. Focusing initially on the introduction of ‘lean manufacturing’ techniques, he also became involved in integrating Thorn EMI Electro Optics into the business.

Tom joined British Aerospace (now merged with Marconi Electronic Systems to form BAE Systems) in 1997 as Site Director and General Manager at the Prestwick site of the company’s Aerostructures division. Two years later he was appointed Operations Director – Internal Supply, within the company’s Military Aircraft and Aerostructures Division, then Eurofighter Operations Director with responsibilities that included manufacturing and other business functions at the Warton and Salisbury sites of BAE Systems.

In November 2000, Tom became Managing Director and General Manager of Airbus UK, a position he held until he became Airbus’ Executive Vice President Procurement in 2004.

Tom was born in 1952 in Glasgow. During his apprenticeship he gained an HNC in Production Engineering and in 1988 an MBA from Glasgow University. Married with one daughter, Tom is a keen football supporter and occasional golfer.

Tom received a Commander of the Order of the British Empire (CBE) in January 2011 and was awarded the rank of Knight in the Légion d’Honneur by the Republic of France in December 2015.

Last year, Tom received the Mensforth Manufacturing Medal from the Institute of Engineering and Technology (IET) for his achievements as a world-class production engineer, and was awarded the Honorary Degree of Doctor of Business Administration by the University of the West of England in recognition of his contribution to operations, manufacturing and business.

4.1.2 Dutch Corporate Governance Code, “Comply or Explain”

In accordance with Dutch law and with the provisions of the Dutch Code as amended in 2016, which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies most of the current recommendations of the Dutch Code, it must, in accordance with the “comply or explain” principle, provide the explanations below.

On 8 December 2016, the Dutch Code was revised; its updated recommendations apply to financial years starting on or after 1 January 2017.

Airbus welcomed the updates to the Dutch Code and supports the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture. Airbus already complies with a vast majority of the provisions of the revised Dutch Code.

For the full text of the Dutch Code as well as the New Code, please refer to www.commissiecorporategovernance.nl.

For the financial year 2017 and in respect of compliance with the Dutch Code, the Company states the following:

1. Vice-Chairmanship

Provision 2.3.6 (ii) of the Dutch Code recommends the election of a vice-chairman, to, among other things, deal with the situation when vacancies occur.

The Board of Directors is headed by the Chairman of the Board of Directors and no vice chairman is appointed. In case of dismissal or resignation of the Chairman, the Board of Directors shall immediately designate a new Chairman. In Airbus’ view there is no need for the appointment of a vice-chairman to deal with such situations or other circumstances.

2. Termination indemnity

Provision 3.2.3 of the Dutch Code recommends that the maximum remuneration in the event of dismissal of an Executive Board Member be one year’s salary. Severance pay will not be awarded if the Board membership is terminated early at the initiative of the Executive Board Member, or in the event of seriously culpable or negligent behaviour on the part of the Executive Board Member.

The Company foresees a termination indemnity for the sole Executive Board Member, the CEO, equal to one and a half times the annual total target salary in the event that the Board of Directors has concluded that the CEO can no longer fulfil his position as a result of change of the Company’s strategy or policies or as a result of a change in control of the Company. The termination
3. Securities in the Company as long-term investment

Provision 3.3.3 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment. Furthermore, the Company does not encourage non-Executive Directors to own shares.

The Company does not require its non-Executive Directors who hold shares in its share capital, to keep such shares as a long-term investment. Although non-Executive Directors are welcome to own shares of the Company, the Company considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or may be a source of bias against objective decisions.

4. Dealing with analysts

Provision 4.2.3 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company’s website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time and that after the meetings the presentations shall be posted on the Company’s website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

5. Pay ratios

Provision 3.4.1 of the Dutch Code recommends that the remuneration report described in Section 4.2.1 – Remuneration Policy – below should include a description of the pay ratios within Airbus and, if applicable, any changes in these ratios in comparison with the previous financial year.

The Company wants to ensure a transparent and accurate disclosure of information in its remuneration report. At the date of this Registration Document, the Company is not able to disclose the exact pay ratio between the CEO and a representative reference group determined by Airbus for the 2017 financial year or, to the extent relevant, any changes in these ratios in comparison with the 2016 financial year. However, the Company is committed to include this information in its board report for the 2018 financial year.

6. Gender diversity

The Company strives to comply with composition guidelines which mean the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and 30% men. These percentages are based on those included in a Dutch bill that came into force in 2017 in continuation of previous legislation in force stipulating the same percentages.

With the election of Amparo Moraleda in 2015 and the election of Catherine Guillouard and Claudia Nemat in 2016, the proportion of the female representation on the Board of Directors is at 25% (against 0% five years ago). The Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1.1 above.

4.1.3 Enterprise Risk Management System

Airbus’ long-term development and production lifecycle make Enterprise Risk Management ("ERM") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across Divisions at each level of the organisation. It is designed to identify and manage risks and opportunities. A strong focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus.

ERM is an operational process embedded into the day-to-day management activities of Programmes, Operations and Functions. The key risks and their mitigations are reported to the Board of Directors through a reporting synthesis, consolidated on a quarterly basis.

The ERM system is articulated along four axes:

- Anticipation: early risk reduction and attention to emerging risks;
- Speak-up & early warnings;
- Robust risk mitigations;
- Opportunities.

4.1.3.1 ERM Process

The objectives and principles for the ERM system as endorsed by the Board of Directors are set forth in the Company’s ERM Policy and communicated throughout Airbus. The Company’s ERM Policy is supplemented by directives, manuals, guidelines, handbooks, etc.
External standards which contribute to the Company’s ERM system include the standards as defined by the International Organisation for Standardisation (“ISO”).

The ERM process consists of four elements:

• a strong operational process, derived from ISO 31000 – to enhance operational risk and opportunity management;
• a reporting process, which contains procedures for the status reporting of the ERM system and the risk/opportunity situation;
• an ERM compliance process, which comprises procedures to assess the effectiveness of the ERM system; and
• a support process, which includes procedures to maintain and increase the quality of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities that potentially affect the Company’s activities, its businesses and its organisation in the short-, mid- and long-term. The ERM process is part of the management process and inter-related with the other processes.

All Airbus organisations, including Divisions, subsidiaries and controlled participations, commit to and confirm the effective implementation of the ERM system. The annual ERM Confirmation Letter issued by each organisation is the formal acknowledgement about the effectiveness of the ERM system.

For a discussion of the main risks to which Airbus is exposed, see “— Risk Factors”.

4.1.3.2 ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

• The Board of Directors supervises with support of the Audit Committee the strategy and business risk and opportunities as well as design and effectiveness of the ERM system;
• The CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of ERM, and the ERM system design and process implementation;
• The Head of ERM has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality. The risk management organisation is structured as a cross-divisional Centre of Competence (“CoC”) and pushes for a proactive risk management;
• The management at executive levels has the responsibility for the operation and monitoring of the ERM system in its respective areas of responsibility and for the implementation of appropriate response activities to reduce risk and seize opportunities, considering the recommendations of the internal and external auditors.

4.1.3.3 ERM Effectiveness

The ERM effectiveness is analysed by ERM centre of competence (“CoC”), based on ERM reports, confirmation letters, in situ sessions (e.g., risk reviews), participation to key controls (e.g. major Programme Maturity Gate Reviews).

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Explanations</th>
</tr>
</thead>
</table>
| Board of Directors / Audit Committee | Regular monitoring  
The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. |
| Top Management        | ERM as part of the regular divisional business reviews  
Results of the operational risk and opportunity management process, self-assessments and confirmation procedures are presented by the Divisions or other Airbus’ organisations to top management. |
| Management            | ERM confirmation letter procedure  
Entities and department heads that participate in the annual ERM compliance procedures must sign ERM Confirmation Letters. |
| ERM CoC               | ERM effectiveness measurement  
Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, in situ sessions (risk reviews etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews). |
| Corporate Audit       | Continuous monitoring and audits on ERM  
Provide independent assurance to the Audit Committee on the effectiveness of the ERM system. |
| E&C                  | Alert System  
Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles. |

4.1.3.4 Board Declaration

Based on the reports made directly available to the Board of Directors, coming from different processes, audits and controls and the information it received from management, the Board of Directors believes to the best of its knowledge that the internal risk management and control system provides reasonable assurance that the financial reporting does not contain any material inaccuracies. This report provides
sufficient insight into any material failings in the effectiveness of the internal risk management and control systems. No matter how well designed, the internal risk management and control system has inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company’s internal risk management and system and procedures are or will be, despite all care and effort, entirely effective.

Based on the Company’s current state of affairs, it is justified that the financial statements have been prepared on a going concern basis. The Board of Directors confirms that to the best of its knowledge this report states the material risks and uncertainties that are relevant to the expectation of the Company’s continuity for the period of 12 months after the preparation of the report.

4.1.4 Internal Audit

In accordance with Principle 1.3 of the Dutch Code, Airbus Corporate Audit and Forensic assesses and provides objective assurance on the design and effectiveness of Airbus’s risk management, internal controls and governance systems. This covers three areas: Risk management processes, both their design and how well they are working; management of those risks classified as ‘key’, including the effectiveness of the controls and other responses to them; and reliable and appropriate assessment of risks and reporting of risk and control status.

Corporate Audit & Forensic engages in the independent and objective corporate assurance activities of internal auditing and forensic investigations. It supports Airbus in improving its operations and accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation’s governance, risk management and internal controls. The function includes a team of forensic specialists who assist Airbus and the Legal and Compliance function by leading and supporting investigations of compliance allegations.

It is established by direct reporting to the Audit Committee and CEO. Corporate Audit adheres to the Institute of Internal Auditor’s Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing as well as relevant policies and procedures of Airbus. Its framework of operation is set out in the Airbus Corporate Audit and Forensic Charter.
4.2 Interests of Directors and Principal Executive Officers

4.2.1 Remuneration Policy

The Company’s Remuneration Policy covers all Members of the Board of Directors: the CEO (who is the only Executive Director) and the other Members of the Board (which is comprised of non-Executive Directors).

It should be noted that although the Policy relating to Executive remuneration only refers to the CEO, these principles are also applied to the other Members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives across Airbus. Upon proposal by the CEO, the RNGC analyses and recommends, and the Board of Directors decides, the remuneration of the Members of the Executive Committee.

No amendment to the Remuneration Policy (as adopted at the AGM held on 28 April 2016) will be proposed for adoption by the shareholders at the AGM to be held in 2018. The application of the Remuneration Policy in 2017 will be included as a separate agenda item for discussion at the AGM to be held in 2018. To see how the Remuneration Policy was applied in 2017 in respect of the CEO (the only Executive Member of the Board of Directors), see “— 4.2.1.3 Implementation of the remuneration policy in 2017: CEO”. The cumulated remuneration of all Executive Committee Members is presented in the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

To see how the Remuneration Policy was applied in 2017 in respect of the non-Executive Members of the Board of Directors, see “— 4.2.1.4 Implementation of the remuneration policy in 2017: Non-Executive Directors”.

4.2.1.1 Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company’s remuneration philosophy has the objective of providing remuneration that will attract, retain and motivate high-calibre Executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby providing long-term sustainable returns for all shareholders.

The Board of Directors and the RNGC are committed to making sure that the Executive remuneration structure is transparent and comprehensible for both Executives and investors, and to ensure that Executive rewards are consistent and aligned with the interests of long-term shareholders.

Before setting the targets to be proposed for adoption to the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, as well as of maximum performance achievements, and how these may affect the level and structure of the Executive remuneration.

b) Total Direct Compensation and Peer Group

The Total Direct Compensation for the CEO comprises a Base Salary, an Annual Variable Remuneration (“VR”) and a Long-Term Incentive Plan (“LTIP”). The three elements of the Total Direct Compensation are each intended to comprise one-third of the total, assuming the achievement of performance conditions is 100% of target.

The level of Total Direct Compensation for the CEO is set at the median of an extensive peer group. The benchmark is regularly reviewed by the RNGC and is based on a peer group which comprises:

- Global companies in Airbus’ main markets (France, Germany, UK and US); and
- Companies operating in the same industries as Airbus worldwide.

(1) The cumulated remuneration of all Executive Committee Members is presented in the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”. 
The elements of the Total Direct Compensation are described below:

<table>
<thead>
<tr>
<th>Remuneration Element</th>
<th>Main Drivers</th>
<th>Performance Measures</th>
<th>Target and Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Reflects market value of position.</td>
<td>Not applicable</td>
<td>1/3 of Total Direct Compensation (when performance achievement is 100% of target)</td>
</tr>
<tr>
<td>VR</td>
<td>Rewards annual performance based on achievement of Company performance measures and individual objectives.</td>
<td>Collective (50% of VR): divided between EBIT (45%); Free Cash Flow (45%) and RoCE (10%).</td>
<td>The VR is targeted at 100% of the Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of the Base Salary.</td>
</tr>
<tr>
<td>LTIP</td>
<td>Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a three-year period.</td>
<td>Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).</td>
<td>The original allocation to the CEO is capped at 100% of the Base Salary at the time of grant. Since 2012, the following caps apply to Performance Units only: overall pay-out is capped at a maximum of 250% of the original value at the date of grant. The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.</td>
</tr>
</tbody>
</table>

Policy from 2016 (approved by 2016 AGM)

The RNGC regularly benchmarks the CEO’s Total Direct Compensation (Base Salary, Annual Variable Remuneration and LTIP) against an extensive peer group. The relevant peer group was composed with the assistance of an independent consultant Willis Towers Watson, and comprised 31 companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group (for further details, see “— 4.2.1.4 Implementation of the Remuneration Policy in 2017: CEO”).

Following the change approved at the AGM in 2016, and as illustrated in the table below, the structure of the CEO’s Total Direct Compensation will remain unchanged in 2018. Indeed, the on-target levels of VR and LTIP will each amount to 100% of the CEO’s Base Salary.

SCENARIOS CEO TOTAL DIRECT COMPENSATION

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1 Airbus continues to use the term EBIT (Earnings before interest and taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

2 Airbus defines the alternative performance measure Free Cash Flow as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, minus (iii) change of securities, (iv) contribution to plan assets of pension schemes and (v) realised foreign exchange results on treasury swaps. It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.
Indications are in million euros.
“Below Threshold” includes annual Base Salary; VR at 0%; LTIP not vesting.
“Target” includes Base Salary, VR at target and LTIP grant face value in cash and in shares.
“Maximum” includes Base Salary; maximum VR value (200% of VR at target); maximum LTIP cash grant projected at vesting date (250% of grant value); maximum performance applicable to the number of shares granted (150%). The share price development is unpredictable. The final value of performance shares cannot be capped.

c) Base Salary
The Base Salary of the CEO is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration
The Variable Remuneration is a cash payment that is paid each year, depending on the achievement of specific and challenging performance targets. The level of the Variable Remuneration for the CEO is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire Variable Remuneration is at-risk, and therefore if performance targets are not achieved sufficiently, no Variable Remuneration is paid.

The performance measures that are considered when awarding the Variable Remuneration to the CEO are split equally between Common Collective performance measures and Individual performance measures.

Common Collective Component
The Common Collective Component is based on EBIT (45%), Free Cash Flow (45%) and RoCE (10%) objectives. Each year, the Board of Directors sets the goals for these key value drivers at Group and Division levels. The Common Collective financial targets relate closely to internal planning and to guidance given to the capital markets (although there may be variations from these).

To calculate the Common Collective annual achievement levels, actual EBIT, Free Cash Flow and RoCE performance is compared against the targets that were set for the year. This comparison forms the basis to computing achievement levels, noting that the actual EBIT, Free Cash Flow and RoCE levels are occasionally adjusted for a limited number of factors which are outside management control (such as certain foreign exchange impacts or unplanned merger and acquisition activities). The RNGC’s intention is to ensure ambitious financial targets and to incentivise the CEO’s commitment to meeting these targets.
Individual

The Individual element focuses on **Outcomes** and **Behaviour**. Individual performance is assessed in these two important dimensions:

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he helps achieve, projects he drives and processes he helps improve. The individual targets of the CEO are comprehensive and shared with all employees via the Company Top Priorities;

- **Behaviour** refers to the way results have been achieved, which is also critical for long-term success: how the CEO and the Board of Directors work as a team; how the CEO leads the Executive Committee; quality of communication, encouragement of innovation, etc. A specific part of the behaviour assessment relates to ethics, compliance and quality issues.

e) Long-Term Incentive Plan

There are two types of Long-Term Incentive Plans: until 2015, LTIP was made up of Performance Units only. Since 2016, following the approval of amendments by shareholders at 2016 AGM, the LTIP has been composed of a mix of Performance Units and Performance Shares.

The value of the CEO’s LTIP allocation is capped as a percentage of the Base Salary at the date of grant and subject to performance conditions.

The performance conditions are assessed over a three-year period based on relevant financial criteria with stringent targets set, as demonstrated by past Company practices.

Both Performance Units and Performance Shares that vest can vary between 0% and 150% of the Units and Shares granted, subject to cumulative performance over a three-year period. The level of vesting is subject to the following performance measures:

- **0-50%** of the allocation: In principle, this element of the Performance Unit/Share award will not vest if the Company reports negative cumulated **EBIT** results. Nonetheless, in case the Company’s EBIT results are impacted by exceptional and unpredictable circumstances, the Board of Directors, upon recommendation of the RNGC, may decide that a maximum portion of 50% of the allocation will vest;

- **50-150%** of the allocation: This element of the Performance Unit/Shares vests based on the two following performance criteria: average **Earnings Per Share** (75%) and cumulative **Free Cash Flow** (25%). Before the 2013 plan, it used to vest according to one performance criteria only: average **Earnings Per Share**.

For reasons of confidentiality, the precise targets set for the average EPS and cumulated Free Cash Flow, even though they have been properly established in a precise manner, cannot be publicly disclosed as these objectives are in part linked to the Company’s strategy.
Nonetheless, for the sake of transparency and to ensure compliance with best market practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provided for the previous long-term incentive plans.

The vesting of Performance Units and Shares is subject to the following maximum cap:

• the maximum level of vesting is 150% of the number of Units/Shares granted.

The vesting of Performance Units is subject to the following maximum caps:

• the value that could result from share price increases is capped at 200% of the reference share price at the date of grant;
• the overall pay-out is capped at 250% of the value at the date of grant

**Performance Units plan characteristics (until and including 2015 plan)**

Performance Units are the long-term equity-related incentive awards that are currently granted to the CEO. LTIP awards are granted each year. Each grant is subject to a three-year cumulative performance objective. At the end of the three-year period, the grant is subjected to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, grants attributed until 2013 will vest in four tranches, the payment of which takes place approximately 6, 12, 18 and 24 months following the end of the performance period. Depending on continuous employment, grants attributed from 2014 would vest in two tranches, the payment of which would take place approximately 6 and 18 months following the end of the performance period.
At the date of grant, the CEO must decide what portion of the allocation (subject to the performance calculation) would be released as cash payments and what portion would be converted into shares. At least 25% (and up to 75%) of the award must be deferred into shares, and would only be released on the last vesting date. For the conversion into shares, one Unit corresponds to one Airbus share.

For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

LTIP-SCHÉME FROM 2014 TO 2015

Performance Units & Performance Shares characteristics (since 2016)

Since the 2016 plan, the CEO’s LTIP is comprised of a mix of Performance Units and Performance Shares in order to increase the alignment with shareholders’ interests. For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

For the CEO, the value of the Performance Unit and Share allocation is capped, at the time of grant, at 100% of the Base Salary. At the end of the three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest. Depending on continued employment, Performance Units attributed since 2016 will vest in two tranches, the payment of which takes place approximately 6 and 18 months following the end of the performance period. Performance Shares would vest in one tranche, approximately 6 months following the end of the performance period.

f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of the Base Salary and to hold them throughout his tenure.

g) Benefits

The benefits offered to the CEO comprise a company car and accident insurance. Travel cost reimbursements are based on the Company travel policy as applicable to all employees.

h) Retirement

The CEO is entitled to a retirement benefit. The Company’s policy is to provide a pension at retirement age that equals 50% of the Base Salary, once the CEO has served on the Executive Committee for five years. This pension can increase gradually to 60% of the Base Salary, for Executives who have served on the Executive Committee for over ten years, and have been employed for at least 12 years.

i) Contracts and Severance

In the case of contract termination, the CEO is entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target Annual Variable Remuneration) with respect to applicable local legal requirements if any. This will not apply if the CEO mandate is terminated for cause, in case of dismissal, if he resigns or if the CEO has reached retirement age.
The CEO’s contract includes a non-compete clause which applies for a minimum of one year and can be extended at the Company’s initiative for a further year. The Board of Directors has the discretion to invoke the extension of the non-compete clause. The compensation for each year that the non-compete clause applies is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) with respect to applicable local legal requirements if any.

Past LTIP awards may be maintained, in such cases as in the case of retirement or if a mandate is not renewed by the Company without cause. The vesting of past LTIP awards follows the plans’ rules and regulations and is not accelerated in any case. LTIP awards are forfeited for Executives who leave the Company on their own initiative, but this is subject to review by the Board of Directors.

j) Clawback

Recent changes to Dutch law introduced the possibility for the Company to deduct or claw back part of the CEO’s variable cash remuneration (i.e. VR) or equity-related remuneration (excluding the LTIP element settled in cash) served by the Company if certain circumstances arise.

Any revision, claw back, or amounts deducted from the CEO’s remuneration will be reported in the notes of the relevant financial statements.

k) Loans

The Company does not provide loans or advances to the CEO.

4.2.1.2 Non-Executive Remuneration – Applicable to Non-Executive Members of the Board of Directors

The Company’s Remuneration Policy with regard to non-Executive Members of the Board of Directors is aimed at ensuring fair compensation and protecting the independence of the Board’s Members.

Fees and Entitlements

Non-Executive Members of the Board are currently entitled to the following:

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board’s Committees;
- an attendance fee for the attendance to Board meetings.

Each of these fees is a fixed amount. Non-Executive Members of the Board do not receive any performance or equity-related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past Executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company’s corporate governance.

The Company does not encourage Non-Executive Directors to purchase Company shares.

Under the current policy, and since 2016, the fees were reviewed to recognise the increase in Board Members’ responsibilities, their greater time commitment and Airbus’ continuous need to attract and retain highly competent Members. To incentivise Board attendance, the attendance fees have doubled. Members of the Board are entitled to the following fees:

**Fixed fee for membership of the Board (EUR / year):**

- Chairman of the Board: € 210,000
- Member of the Board: € 80,000

**Fixed fee for membership of a Committee (EUR / year):**

- Chairman of a Committee: € 30,000
- Member of a Committee: € 20,000

**Attendance fees (EUR / Board meeting):**

- Chairman: € 15,000
- Member: € 10,000

Attendance fees shall decrease by 50% in case of an attendance by phone.

Committee chairmanship and Committee membership fees are cumulative if the concerned Non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

4.2.1.4 Implementation of the Remuneration Policy in 2017: CEO

a) Benchmarking
Based on a review the RNGC performed in 2014 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO’s Total Direct Compensation was slightly below the median level of the peer group. In 2017, there was no increase of the CEO remuneration.

**b) Base Salary**

For 2017, the Base Salary remains at €1,500,000. The CEO’s Base Salary level was reviewed in 2015 and approved by shareholders at 2016 AGM. Any future review of the CEO’s Base Salary will also take into consideration salary increases of employees across the Company.

**c) Annual Variable Remuneration**

As stipulated in the Company’s Remuneration Policy, the CEO’s VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of Collective and Individual performance targets.

For 2016, the VR amounted to an aggregate €2,167,500 composed of €1,192,500 for the Common Collective Component (159%), and €975,000 for the Individual part (130%).

The **Common Collective Component** results from a composite **159% achievement** of EBIT, Free Cash Flow and RoCE objectives.

This achievement reflects a solid **EBIT** and **Free Cash Flow** generation against the budgeted targets. The main drivers of that success were the strong underlying business performance, healthy pre-delivery payments inflows, on-going efforts to control working capital including payment terms to suppliers and lower R&D spending. Finally, **RoCE** was slightly below the target.

**Normalisation adjustments** were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

The **Individual part** results from a good achievement level of 130% out of 200%, assessed by the RNGC and approved by the Board on the basis of the CEO’s performance and behaviour, mostly with respect to the four Airbus priorities agreed at the start of the year. For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the good assessment** were among other achievements:

- Solid financial figures achieving the envisaged targets to a large extent despite set-backs on the A400M programme.
- Very good operational performance with a new record number of aircraft deliveries mastering a solid ramp-up of the A350 programme and the transition from the ceo to the new neo version of the A320 programme despite technical issues with both new engine types.
- Excellent strategic move in acquiring the Bombardier C Series programme to complement the Airbus product portfolio and to set the pace for the competition.
- Confirmed lead on the civil and parapublic helicopter market against a challenging market backdrop while slightly improving the position on the military market.
- Good progress in key development programmes Airbus A350-1000, Airbus Helicopters H160 and Ariane 6.
- Rapid implementation of the digital roadmap including digitalization of the development and production processes.
- “Go live” for the Company’s further integration through the “Gemini” project by merging Airbus and Airbus Group for a leaner and more efficient management.
- Strong focus on Company-wide benchmark Compliance standards and processes as well as coordinated Corporate Social Responsibility activities.
- Reinforced efforts on gender and international diversity as well as implementation of new HR transformation and management development programmes.
d) Long-Term Incentive Plan

Granting 2017

As stipulated in the Company’s Remuneration Policy the CEO is eligible for a Performance Units and Performance Shares award under the Company’s LTIP 2017. The value of the Performance Unit and Share award is capped at 100% of the Base Salary at the date of grant. During 2017, the CEO was granted in total of both 20,324 Performance Units and Performance Shares.

The table below gives an overview of the Performance Units and Performance Shares granted to the CEO in 2017 pursuant to the LTIP*:

<table>
<thead>
<tr>
<th>Unit plan: number of Performance Units</th>
<th>Vesting dates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Granted in 2017</strong></td>
<td></td>
</tr>
<tr>
<td>Thomas Enders</td>
<td>10,162</td>
</tr>
<tr>
<td><strong>Vesting schedule is made up of 2 tranches over 2 years:</strong></td>
<td></td>
</tr>
<tr>
<td>(i) 50% expected in May 2021;</td>
<td></td>
</tr>
<tr>
<td>(ii) 50% expected in May 2022.</td>
<td></td>
</tr>
</tbody>
</table>

* There is no obligation under the Dutch Financial Supervision Act to notify the cash units under the LTIP to the AFM. The CEO’s cash units are therefore no longer reflected in the AFM register.

<table>
<thead>
<tr>
<th>Share plan: number of Performance Shares</th>
<th>Vesting dates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Granted in 2017</strong></td>
<td></td>
</tr>
<tr>
<td>Thomas Enders</td>
<td>10,162</td>
</tr>
<tr>
<td><strong>Vesting schedule is made up of 1 tranche:</strong></td>
<td></td>
</tr>
<tr>
<td>(i) 100% expected in May 2021</td>
<td></td>
</tr>
</tbody>
</table>

Vesting values in 2017

In 2017, the CEO received both cash payments and vested shares in connection with the vesting of 2012 and 2013 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to €1,372,048 in 2017 versus €2,279,709 in 2016.
- **Shares:** In connection with the 2012 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 11,192 vested shares (16,448 vested shares in 2016) on the fourth vesting date for the 2012 LTIP (31 November 2017). In connection with the 2013 LTIP award, the CEO had elected that 50% of his grant should be deferred into shares. Therefore, the vesting of 5,682 Performance Units for the LTIP 2013 will be released in the form of shares on the fourth vesting date for the 2013 LTIP (which will take place in 2018).

## LTIP overview: granting and vesting

<table>
<thead>
<tr>
<th>Date of grants</th>
<th>Grant Type</th>
<th>Number</th>
<th>Share price at grant date</th>
<th>Value at grant date (Un)conditional</th>
<th>Performance achievement</th>
<th>Units with performance achievement</th>
<th>Dates of vesting</th>
<th>Share value at vesting dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Units</td>
<td>50,300</td>
<td>€27.83</td>
<td>€1,399,849</td>
<td>Conditional</td>
<td>44,768</td>
<td>4 vestings in 2016 - 2017</td>
<td>€55.66*</td>
</tr>
</tbody>
</table>

1st vesting – 3 May 2016: €55.66*
2nd vesting – 31 October 2016: €53.77
3rd vesting – 3 May 2017: €55.66*
1. **Performance Conditions of LTIP 2013 and 2014**

The performance conditions for LTIP 2013 were determined as follows:

- if Airbus reports negative cumulated EBIT results, the Board of Directors can decide in its sole discretion to review the vesting of the Performance Units, including the 50% portion which is not subject to performance conditions.

- 50% to 150% of the allocation would be granted depending on the compounded achievement of the two following performance criteria:
  - 75% of average Earnings Per Share (“Ave EPS”): determined on a linear basis depending on three-year Ave EPS for the 2014, 2015 and 2016 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €3.64,
  - and 25% of cumulative Free Cash Flow (“Cum FCF”): determined on a linear basis depending on three-year Cum FCF for the 2014, 2015 and 2016 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to €2,650m.

The performance conditions for LTIP 2014 were determined as follows:

- if Airbus reports negative cumulated EBIT results, the Board of Directors can decide at its sole discretion to review the vesting of the Performance Units, including the 50% portion which is not subject to performance conditions.

- 50% to 150% of the allocation would be granted depending on the compounded achievement of the two following performance criteria:
  - 75% of Ave EPS: determined on a linear basis depending on three-year Ave EPS for the 2015, 2016 and 2017 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to €3.31,
  - and 25% of Cum FCF: determined on a linear basis depending on three-year Cum FCF for the 2015, 2016 and 2017 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to €4,298m.

2. **Review of Achievement of Performance Conditions**

The Board of Directors on 21 February 2017 noted the achievement of the performance conditions of the 2013 plan, i.e. for the 2014, 2015 and 2016 fiscal years. The three year average EPS was €2.28, after normalisation to align it with policies in force when setting the target (notably IAS11). The three-year Cum FCF before M&A was €3,440m.

Furthermore the Board of Directors on 14 February 2018 noted the achievement of the performance conditions of the 2014 plan, i.e. for the 2015, 2016 and 2017 fiscal years. The three year average EPS (“Ave EPS”) was €2.81 after normalisation to align it with policies in force when setting the target (notably IAS11). The three year cumulative FCF (“Cum FCF”) before M&A was €9,741m.

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* For vesting 2012 the cap applicable to the share price was applied.
<table>
<thead>
<tr>
<th>Date of grants</th>
<th>KPI</th>
<th>Number of units</th>
<th>Target for a 100% allocation</th>
<th>Achieved</th>
<th>Performance achievement in percentage</th>
<th>Compounded performance achievement in percentage</th>
<th>Resulting vesting in number</th>
<th>For comparison, average EPS for the last 3 reported years at the date of grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>Ave EPS</td>
<td>50,300</td>
<td>€ 2.75</td>
<td>€ 2.63</td>
<td>89%</td>
<td>N/A</td>
<td>44,768</td>
<td>€ 0.34*</td>
</tr>
<tr>
<td>2013</td>
<td>Ave EPS</td>
<td>30,300</td>
<td>€ 3.64</td>
<td>€ 2.28</td>
<td>50%</td>
<td>75%</td>
<td>22,724</td>
<td>€ 1.15**</td>
</tr>
<tr>
<td></td>
<td>Cum FCF before M&amp;A</td>
<td>30,300</td>
<td>€ 2,650m</td>
<td>€ 3,440m</td>
<td>150%</td>
<td>75%</td>
<td>22,724</td>
<td>€ 1.15**</td>
</tr>
<tr>
<td>2014</td>
<td>Ave EPS</td>
<td>29,500</td>
<td>€ 3.31</td>
<td>€ 2.81</td>
<td>56%</td>
<td>80%</td>
<td>23,600</td>
<td>€ 1.51***</td>
</tr>
<tr>
<td></td>
<td>Cum FCF</td>
<td></td>
<td>€ 4,298m</td>
<td>€ 9,741m</td>
<td>150%</td>
<td>80%</td>
<td>23,600</td>
<td>€ 1.51***</td>
</tr>
</tbody>
</table>

*  Average EPS of 2011, 2010 and 2009  
** Average EPS of 2012, 2011 and 2010  
*** Average EPS of 2013, 2012 and 2011

e) Share Ownership
The CEO owned 92,161 Company shares on 31 December 2017, which represents more than 200% of the base salary. He herewith respects Airbus’ share ownership policy.

f) Employee Share Ownership Plan (ESOP)
In March 2017, the Company offered all eligible employees the opportunity to subscribe to a share matching plan, through which the Company matches a certain number of directly acquired shares with a grant of matching shares. This ratio varied depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company’s website.

Under the umbrella of the ESOP 2017, a dedicated UK tax advantageous Share Incentive Plan (“SIP”), was also deployed in March 2017.

Although the CEO was eligible for the plan, he did not participate to the ESOP 2017 plan favouring the development of a shareholding among other employees of the Company.

g) Benefits
As stipulated in the Company’s Remuneration Policy the CEO’s benefits comprise a company car and accident insurance. The monetary value of these benefits for 2017 amounted to € 63,250.

h) Retirement
As of 31 December 2017, the present value of the CEO’s pension defined benefit obligation, including deferred compensation amounted to € 21,176,042 versus € 21,251,788 a year ago. While the plan benefits remain identical, the present value of the pension obligation was calculated applying a 1.5% discount rate in 2017 compared to a 1.7% discount rate in 2016, which mainly explains the change in value. For the fiscal year 2017, the current service and interest costs related to the CEO’s pension promise represented an expense of € 1,175,057. This obligation has been accrued in the Consolidated Financial Statements.

The defined benefit obligation for the CEO’s Company pension results from the Company’s pension policy as described above and takes into account (1) the seniority of the CEO in the Company and on its Executive Committee and (2) the significantly lower public pension promise deriving from the German social security pension system, compared to a pension resulting from membership in the French pension system.

i) Clawback
The Board has not applied any clawback in 2017.
4.2.1.5 Implementation of the Remuneration Policy in 2017: Non-Executive Directors

The last review of the Board remuneration was undertaken in 2015 and is in line with market practice, incentivise attendance and recognise the strategic role played by the Board of Directors in Airbus’ developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

For personal reasons, and with regards to the implementation of remuneration policy approved at AGM 2016, Denis Ranque decided in 2016 and onwards to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds €240,000 (his total target remuneration for 2015, based on 6 meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account D. Ranque’s wishes to waive the supplement linked to this remuneration policy, but also to the increase of number of Board meetings in 2017, the remuneration of Denis Ranque related to 2017 as Chairman of the Board of Director (chairmanship Board Fixum and Attendance fees) is €260,000.

Therefore, the Board recommended that the remuneration exceeding €260,000 would be converted into an annual contribution to the Airbus Foundation as long as Denis Ranque waived this part of his remuneration which corresponds to €70,000 based on the number of Board meetings in 2017.

Summary table of the 2017 and 2016 fees of all non-Executive Members of the Board (current and former):

<table>
<thead>
<tr>
<th>Non-Executive Board Members</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixum**</td>
<td>Attendance fees**</td>
<td>Total</td>
</tr>
<tr>
<td>Denis Ranque***</td>
<td>204,293</td>
<td>80,000</td>
</tr>
<tr>
<td>Ralph D. Crosby Jr.</td>
<td>94,420</td>
<td>80,000</td>
</tr>
<tr>
<td>Lord Drayson****</td>
<td>72,100</td>
<td>60,000</td>
</tr>
<tr>
<td>Catherine Guillovard***</td>
<td>120,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Hans-Peter Keitel</td>
<td>100,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Hermann-Josef Lamberti***</td>
<td>135,707</td>
<td>70,000</td>
</tr>
<tr>
<td>Lakshmi N. Mittal^</td>
<td>28,176</td>
<td>10,000</td>
</tr>
<tr>
<td>Maria Amparo Moraleda Martinez***</td>
<td>120,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Claudia Nemat</td>
<td>100,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Sir John Parker***</td>
<td>135,707</td>
<td>65,000</td>
</tr>
<tr>
<td>Carlos Tavares</td>
<td>80,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Jean-Claude Trichet</td>
<td>100,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Former Executive Members</td>
<td>Non-Board</td>
<td></td>
</tr>
<tr>
<td>Manfred Bischoff</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Anne Lauvergeon</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Michel Pébereau</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

** The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the RNGC and/or the E&C Committee. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017. The fixum for the year 2016 was paid 50% in December 2015 and 50% in July 2016.

* The attendance fees related to the first semester 2017 were paid in July 2017, those related to the second semester 2017 are paid in January 2018. The attendance fees related to the first semester 2016 were paid in July 2016; those related to the second semester 2016 were paid in January 2017.

****Member of the Company Board of Directors and the RNGC as of 12 April 2017.

**Member of the Company Board of Directors and the RNGC of as of 12 April 2017.

^Not a Member of the Company Board of Directors as of 12 April 2017.

4.2.2 Long-Term Incentives Granted to the Chief Executive Officer

See “— 4.3.3 Long-Term Incentive Plans".
4.2.3 Related Party Transactions

Reflecting Article 2:129(6) of the Dutch Civil Code, Article 18.5 of the Articles of Association provides that "a Director shall not take part in the deliberations or decision-making if he has a direct or indirect personal interest which conflicts with the interests of the Company and of the enterprise connected with it. If as a result thereof no resolution of the Board of Directors can be adopted, the resolution is adopted by the General Meeting".

During the years 2015, 2016 and 2017, no agreement was entered into by the Company with one of its Directors or principal officers or a shareholder holding more than 5% of the voting rights of the Company outside the ordinary course of business and in conditions other than arm’s length conditions. For more information, please refer to the "— Notes to the IFRS Consolidated Financial Statements — Note 8: Related party transactions" for the year ended 31 December 2017 and "— Notes to the IFRS Consolidated Financial Statements — Note 8: Related party transactions" for the year ended 31 December 2016, as incorporated by reference herein.

For a description of the relationships between the Company and its principal shareholders, see "— General Description of the Company and its Shareholders — 3.3.2 Relationships with Principal Shareholders". Other than the relationships between the Company and its principal shareholders described therein, there are no potential conflicts of interest between the duties to the Company of the Directors and their respective private interests or other duties.

4.3 Employee Profit Sharing and Incentive Plans

4.3.1 Employee Profit Sharing and Incentive Agreements

The Company’s remuneration policy is strongly linked to the achievement of individual and Company objectives, both for each Division and for the overall Company. In 2012, a Performance and Restricted Unit plan was established for the senior management of Airbus (see "— 4.3.3 Long-Term Incentive Plans"), and employees were offered shares at favourable conditions within the context of a new employee share ownership plan (see "— 4.3.2 Employee Share Ownership Plans").

The success sharing schemes which are implemented at the Company in France, Germany, Spain and the UK follow one set of common rules of the group, ensuring a consistent application in these four countries.

4.3.2 Employee Share Ownership Plans

Enabling employees to participate in the results of the Company is a key element in the Airbus benefits policy. Since its creation, the Company has developed a philosophy based on sharing the added value created by the Company with all employees (including the CEO). Therefore, the Company has regularly offered qualifying employees the opportunity to purchase shares on favourable terms through the ESOP.

According to shareholders’ resolutions adopted at the AGM, the powers to issue shares and to set aside preferential subscription rights of existing shareholders have been granted to the Board of Directors at the 2017 AGM. Such powers include the approval of ESOP.

The following table summarises the main terms of the ESOPs conducted over the last three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Price per share</th>
<th>Nominal value per share</th>
<th>Number of shares issued</th>
<th>Date of issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>€ 42.02(1) / € 44.20(2)</td>
<td>€ 1</td>
<td>2,113,245</td>
<td>29 July 2013</td>
</tr>
<tr>
<td>2014</td>
<td>€ 49.70(1) / € 51.63(2) / € 65.59(4)</td>
<td>€ 1</td>
<td>1,436,901</td>
<td>21 April 2015</td>
</tr>
<tr>
<td>2015</td>
<td>€ 54.31(1) / € 55.41(2) / 55.53(5)</td>
<td>€ 1</td>
<td>1,366,893</td>
<td>14 April 2016</td>
</tr>
<tr>
<td>2016</td>
<td>€ 64.44(1) / € 67.24(2) / € 85.20(6)</td>
<td>€ 1</td>
<td>1,554,611</td>
<td>3 May 2017</td>
</tr>
<tr>
<td>2017</td>
<td>€ 65.20(6)</td>
<td>€ 1</td>
<td>88,582</td>
<td>21 November 2017</td>
</tr>
</tbody>
</table>

(1) Shares purchased within context of group employee savings plan.
(2) Shares purchased directly.
(3) July 2014 the Board of Directors decided to cancel the ESOP scheme for 2014 due to volatility of the share price and the financial situation.
(4) Under the umbrella of the ESOP 2015, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.
(5) Under the umbrella of the ESOP 2016, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.
(6) Under the umbrella of the ESOP 2017, a dedicated UK tax advantageous Share Incentive Plan, SIP, was also deployed.

In 2017 and 2016, the Board of Directors approved a new ESOP scheme. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (2017: 5, 20, 30, 50 or 100 shares; 2016: 4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (2017: 4, 8, 10, 13 and 25 free shares, respectively; 2016: 4, 5, 7, 11, 16 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the
shares, but have the right to receive all dividends paid. Employees who directly purchased the Company shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 21 February 2017 (2016: 23 February 2016) and amounted to €67.24 (2016: €55.41). Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 21 February 2017 (2016: 23 February 2016), resulting in a price of €64.44 (2016: €54.31). The Company issued and sold 411,710 ordinary shares (2016: 485,048) with a nominal value of €1.00 each. Compensation expense (excluding social security contributions) of €28 million (2016: €27 million) was recognised in connection with ESOP. The Company intends to implement an ESOP in 2019, subject to approval by the Board of Directors, open to all qualifying employees (including the CEO). With future ESOP, the Company intends to offer shares to eligible employees through the issuance of shares or free distribution of shares or other existing or new securities giving access to the capital as a matching contribution. This plan would aim at favouring the development of employee shareholding.
4.3.3 Long-Term Incentive Plans

In 2012, 2013, 2014, 2015 and 2016, based on the authorisation granted to it by the shareholders’ meetings (see dates below), the Board of Directors approved the granting of LTIP Performance Units and Restricted Units in the Company. The grant of so-called “units” will not physically be settled in shares but represents a cash settled plan in accordance with IFRS 2. In 2017, the Board of Directors approved an LTIP Performance Units and Performance Share Plan.

The principal characteristics of these options as well as Performance and Restricted Units as of 31 December 2017 are set out in the “Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment”. They are also summarised in the tables below:
### Fourteenth tranche

**Date of Board of Directors meeting (grant date):** 13 December 2012

**Performance and Restricted Unit plan**

<table>
<thead>
<tr>
<th>Performance Units</th>
<th>Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units granted(^{(1)})</td>
<td>2,123,892</td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>0</td>
</tr>
</tbody>
</table>

**Units granted to:**
- Mr. Thomas Enders* 50,300
- the 10 employees having being granted the highest number of units during the year 2012 (fourteenth tranche) 251,800

**Total number of eligible beneficiaries:** 1,797

The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years:
- 25% expected in May 2016;
- 25% expected in November 2016;
- 25% expected in May 2017;

**Number of vested units:** 1,744,570 568,495

\(^{(1)}\) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

### Fifteenth tranche

**Date of Board of Directors meeting (grant date):** 13 November 2013

**Performance and Restricted Unit plan**

<table>
<thead>
<tr>
<th>Performance Units</th>
<th>Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units granted(^{(1)})</td>
<td>1,245,052</td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>440,591</td>
</tr>
</tbody>
</table>

**Units granted to:**
- Mr. Thomas Enders* 30,300
- the 10 employees having being granted the highest number of units during the year 2013 (fifteenth tranche) 173,100

**Total number of eligible beneficiaries:** 1,709

The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 4 payments over 2 years:
- 25% expected in May 2017;
- 25% expected in November 2017;
- 25% expected in May 2018;
- 25% expected in November 2018.

**Number of vested units:** 424,425 169,254

\(^{(1)}\) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.
### Sixteenth tranche

**Date of Board of Directors meeting**

(grant date) 13 November 2014

<table>
<thead>
<tr>
<th></th>
<th>Performance Units</th>
<th>Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units granted$^{(1)}$</td>
<td>1,114,962</td>
<td>291,420</td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>834,572</td>
<td>275,070</td>
</tr>
<tr>
<td>Units granted to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mr. Thomas Enders*</td>
<td>29,500</td>
<td>-</td>
</tr>
<tr>
<td>10 employees having being granted the highest number of units during the year 2014 (sixteenth tranche)</td>
<td>176,460</td>
<td>-</td>
</tr>
<tr>
<td>Total number of eligible beneficiaries</td>
<td>1,621</td>
<td></td>
</tr>
</tbody>
</table>

The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:

- 50% expected in June 2018;
- 50% expected in June 2019.

Number of vested units 5,580 2,060

$^{(1)}$ Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

### Seventeenth tranche

**Date of Board of Directors meeting**

(grant date) 29 October 2015

<table>
<thead>
<tr>
<th></th>
<th>Performance Units</th>
<th>Restricted Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units granted$^{(1)}$</td>
<td>926,398</td>
<td>240,972</td>
</tr>
<tr>
<td>Number of units outstanding</td>
<td>890,248</td>
<td>238,386</td>
</tr>
<tr>
<td>Units granted to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mr. Thomas Enders*</td>
<td>24,862</td>
<td>-</td>
</tr>
<tr>
<td>10 employees having being granted the highest number of units during the year 2015 (seventeenth tranche)</td>
<td>156,446</td>
<td>-</td>
</tr>
</tbody>
</table>

$^{(1)}$ Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”. 
### Eighteenth tranche

**Date of Board of Directors meeting (grant date)**

25 October 2016

**Performance units and performance shares plan**

<table>
<thead>
<tr>
<th></th>
<th>Performance Units</th>
<th>Performance Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units/shares granted⁽¹⁾</td>
<td>615,792</td>
<td>621,198</td>
</tr>
<tr>
<td>Number of units/shares outstanding</td>
<td>605,789</td>
<td>611,225</td>
</tr>
<tr>
<td>Units/shares granted to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Mr. Thomas Enders*</td>
<td>14,240</td>
<td>14,240</td>
</tr>
<tr>
<td>• the 10 employees having been granted the highest number of units/shares during the year 2016 (eighteenth tranche)</td>
<td>79,504</td>
<td>85,200</td>
</tr>
<tr>
<td>Total number of eligible beneficiaries</td>
<td></td>
<td>1,671</td>
</tr>
</tbody>
</table>

The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:

- Performance Units:
  - 50% expected in May 2020;  
  - 50% expected in May 2021.
- Performance Shares: 100% expected in May 2020.

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest: 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT⁽*⁾ of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

---

**Tranche**

| Total number of eligible beneficiaries | 1,564 |

The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:

- 50% expected in June 2019;
- 50% expected in June 2020.

| Number of vested units | 2,606 |

Number of vested units: 2,606

---

**Performance and Restricted Units**

The Performance and Restricted Units will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units, upon achievement of mid-term business performance. Vesting schedule is made up of 2 payments over 2 years:

- 50% expected in June 2019;
- 50% expected in June 2020.

**Date of Board of Directors meeting (grant date)**

25 October 2016

**Performance and Restricted Units**

<table>
<thead>
<tr>
<th>vesting dates</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting dates</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Notes**

- For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

---

**Vesting dates**

- Vesting dates

---

**Total number of eligible beneficiaries**

- 1,564

---

**Vesting dates**

- Vesting dates
Number of vested units

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest: 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

Nineteenth tranche

Date of Board of Directors meeting (grant date) 30 October 2017

Performance units and performance shares plan

<table>
<thead>
<tr>
<th>Performance Units</th>
<th>Performance Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of units/shares granted(^{(1)})</td>
<td>421,638</td>
</tr>
<tr>
<td>Number of units/shares outstanding</td>
<td>421,638</td>
</tr>
<tr>
<td>Units/shares granted to:</td>
<td></td>
</tr>
<tr>
<td>* Mr. Thomas Enders*</td>
<td>10,162</td>
</tr>
<tr>
<td>* the 10 employees having being granted the highest number of units/shares during the year 2017 (eighteenth tranche)</td>
<td>53,808</td>
</tr>
<tr>
<td>Total number of eligible beneficiaries</td>
<td>1,601</td>
</tr>
</tbody>
</table>

The Performance Units and Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance.

Vesting schedule is made up of 2 payments over 2 years:
- Performance Units:
  - 50% expected in May 2021;
  - 50% expected in May 2022.
- Performance Shares: 100% expected in May 2021

The information in respect of stock options and performance and restricted shares cancelled and exercised during the year are set out in “Notes to the IFRS Consolidated Financial Statements — Note 30: Share-based payment”.

(1) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest: 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT* of Airbus) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

* For more information in respect of units granted to the Chief Executive Officer, please refer to the “Notes to the IFRS Consolidated Financial Statements — Note 31: Remuneration”.

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<table>
<thead>
<tr>
<th>Member of the Board of Directors</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Thomas Enders</td>
<td>65,161 ordinary shares</td>
</tr>
<tr>
<td>Mr. Denis Ranque</td>
<td>2,000 ordinary shares</td>
</tr>
<tr>
<td>Ms. Catherine Guillouard</td>
<td>125 ordinary shares</td>
</tr>
</tbody>
</table>

No other Member of the Board of Directors holds shares or other securities in the Company.
5. Entity Responsible for the Registration Document

5.1 Entity Responsible for the Registration Document

Airbus SE

5.2 Statement of the Entity Responsible for the Registration Document

The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of the Company’s knowledge, in accordance with the facts and contains no omission likely to affect its import.

Airbus SE represented by:

Thomas Enders

Chief Executive Officer

5.3 Information Policy

- Contact details for information:
  Ms Julie Kitcher
  Head of Investor Relations and Financial Communication, Airbus SE
  2 rond point Emilie Dewoitine
  BP 90112
  31703 Blagnac France
  Telephone: +33 5 82 05 53 01
  E-mail: ir@airbus.com

- Special toll-free hotlines are available to shareholders in France (0 800 01 2001), Germany (00 800 00 02 2002) and Spain (00 800 00 02 2002). An international number is also available for the rest of the world (+33 800 01 2001)

- An e-mail box is dedicated to shareholders’ messages: ir@airbus.com
A website, www.airbus.com, provides a wide range of information on the Company, including the Board of Directors’ report. Additionally, for the life of this Registration Document, copies of:

- the Company’s Articles of Association;
- the Registration Document filed in English with, and approved by, the AFM on 5 April 2016;
- the Registration Document filed in English with, and approved by, the AFM on 4 April 2017; and
- the Consolidated Financial Statements (IFRS) and the Company Financial Statements of Airbus SE for the years ended 31 December 2016 and 2017, together with the related Auditors’ reports, may be inspected at the Company’s registered office at: Airbus SE, Mendelweg 30, 2333 CS Leiden, the Netherlands, Seat (statutaire zetel) Amsterdam, Tel.: +31 (0)71 5245 600.

5.4 Undertakings of the Company regarding Information

Given the fact that the shares of the Company are listed on Euronext Paris, on the regulierter Markt (in the sub-segment Prime Standard) of the Frankfurt Stock Exchange and on the Madrid, Bilbao, Barcelona and Valencia Stock Exchanges, the Company is subject to certain laws and regulations applicable in France, Germany and Spain in relation to information, the main ones of which are summarised in “General Description of the Company and its Share Capital — 3.1.3 Governing Laws and Disclosures”.

5.5 Significant Changes

As of the date of this Registration Document, there has been no significant change in the Company’s financial or trading position since 31 December 2017.