

Unaudited Interim Financial Statements

Airbus Finance B.V.

(Until April 19, 2017: Airbus Group Finance B.V.)

Leiden, The Netherlands

Six-Month Period ended June 30, 2017

INDEX

Page

Unaudited Interim Board of Directors Report

Unaudited Interim Report of the Board of Managing Directors 2-3

Unaudited Interim Financial Statements

Unaudited Statements of Financial Position 4

Unaudited Income Statements/Statements of Comprehensive Income 5

Unaudited Statements of Cash-Flows 6

Unaudited Statements of Changes in Equity 7

Notes to the Unaudited Interim Financial Statements for the six-month period ended
June 30, 2017 8-16

UNAUDITED INTERIM REPORT OF THE BOARD OF MANAGING DIRECTORS

The board of Managing Directors herewith submits the Unaudited Interim Financial Statements of Airbus Finance B.V. ("**Company**"), formerly Airbus Group Finance B.V., for the six-month period ended June 30, 2017.

ACTIVITIES

The Company's main activity is to finance companies by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and any other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

EMTN Programme:

The EMTN Programme is a contractual framework which allows Airbus SE to raise debt from the capital markets through dealers by successive issues of notes governed by the same terms. Each issue, however, may bear a different maturity (due one month to thirty years).

Activities of the Company have commenced in February 2003, when the first tranche of €1 billion, of a €3 billion EMTN Programme, was raised for Airbus SE. In September 2003, the Company has issued its second Eurobond transaction for €500 million under its EMTN Programme, maturing in September 2018. In August 2009, the Company has issued another, third, Eurobond transaction for €1 billion under this Programme, which has matured in August 2016. During the year 2014, a fourth Eurobond transaction, for €1 billion, maturing April 2024 and a fifth Eurobond transaction, for €500 million, maturing October 2029 were additionally issued by the Company. In May 2016, the Company has issued two Eurobond transactions for €600 million (maturing May 2026) and €900 million (maturing May 2031) under its EMTN Programme.

In October 2014, the Company increased the size of its EMTN Programme from €3 billion to €5 billion.

Commercial Paper Programme (Euro):

In addition to the EMTN Programme, the Company launched a Commercial Paper Programme in late February 2004. The Commercial Paper Programme currently has a size of €3 billion. As of June 30, 2017, no amounts were outstanding for the Commercial Paper Programme.

US-Bond:

On April 17, 2013, the Company has issued a bond in the US institutional market for an amount of US\$1 billion, corresponding to €756 million, with a ten year maturity.

Commercial Paper Programme (US\$):

The Company launched a US\$ 2 billion Commercial Paper Programme in mid May 2015. On April 19, 2016 the Company updated and simultaneously increased its Programme from US\$2 billion to US\$3 billion. As of June 30, 2017, no amounts were outstanding for the Commercial Paper Programme.

RISK MANAGEMENT

As of June 30, 2017 the risks and uncertainties facing the Company do not materially differ, and are not expected to materially differ for the remaining six-month period of the financial year, from those described in the notes to the Annual Financial Statements of the Company for the year ended on December 31, 2016.

MANAGEMENT AND SUPERVISION

As of 1 January 2013 the Act on Management and Supervision ('Wet Bestuur en Toezicht') came into effect. With this Act, statutory provisions were introduced to ensure a balanced representation of men and

women in management boards and supervisory boards of companies governed by this Act. Balanced representation of men and women is deemed to exist if at least 30% of the seats are filled by men and at least 30% are filled by women. The Company has currently no seats taken by women. The Company considers it to be desirable to fulfil the before mentioned ratio.

RESULT FOR THE PERIOD

The Company's result for the six-month period ended June 30, 2017 amounts to a profit of €09 thousand.

STATEMENT

The board of Managing Directors hereby declares that, to the best of its knowledge:

- the Unaudited Interim Financial Statements for the six-month period ended June 30, 2017 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company; and
- the Unaudited Interim Report of the Board of Managing Directors gives a true and fair view of the position as per the reporting date, and of the development and performance during the first half of the 2017 financial year of the Company as well as the expected course of events.

BOARD OF MANAGING DIRECTORS

Mr. J.B. Pons, Director

_____ signed by J.B. Pons _____

Mr. C. Masson, Director

_____ signed by C. Masson _____

Mr. C.C. Kohl, Director

_____ signed by C.C. Kohl _____

Leiden, July 20, 2017

UNAUDITED STATEMENTS OF FINANCIAL POSITION

(After appropriation of the result of the period)

In €thousand	Note	30/06/2017	31/12/2016
Assets			
Non-Current Assets			
Long-term Loans Receivable	3	4.343.170	4.413.963
Positive Fair Value Derivative Instruments	4	23.872	34.032
		4.367.042	4.447.995
Current Assets			
Accrued Interest Receivable	5	41.454	44.088
Cash and Cash Equivalents	6	6.087	5.300
		47.541	49.388
Total Assets		4.414.583	4.497.383
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Issued Capital	7	300	300
Other Reserves	7	(2)	(2)
Cash Flow Hedge Reserve	8	17.904	25.524
Retained Earnings		6.008	5.499
		24.210	31.321
Non-Current Liabilities			
Non-Current Interest Bearing Liabilities	9	4.343.170	4.413.963
Deferred Taxes Payable	10	5.968	8.508
		4.349.138	4.422.471
Current Liabilities			
Accrued Interest Payable	11	41.235	43.591
		41.235	43.591
Total Equity and Liabilities		4.414.583	4.497.383

UNAUDITED INCOME STATEMENTS

In €thousand	<i>Note</i>	January 1 - June 30, 2017	January 1 - June 30, 2016
Financial Result			
<i>Income</i>			
Interest	12	54.302	70.504
<i>Expenses</i>			
Interest	13	(53.735)	(69.993)
		567	511
Foreign Exchange Result		(56)	(8)
		511	503
General Administrative Expenses		(2)	(10)
Profit before Taxation for the Period attributable to Equity Holders of the Company		509	493
Taxation		-	-
Profit after Taxation for the Period attributable to Equity Holders of the Company		509	493

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

In €thousand	January 1 - June 30, 2017	January 1 - June 30, 2016
Profit for the period	509	493
Other Comprehensive Income		
Changes in Cash-Flow Hedges	(10.160)	(5.762)
Deferred Tax Income	2.540	1.440
Total Comprehensive Income for the period attributable to Equity Holders of the Company	(7.111)	(3.829)

UNAUDITED STATEMENTS OF CASH-FLOWS

In €thousand	<i>Note</i>	January 1 - June 30, 2017	January 1 - June 30, 2016
Profit for the Period		509	493
Add back interest income		(55.915)	(72.150)
Add back interest expense		55.348	71.632
Valuation adjustments		56	7
		(2)	(18)
Interest received		56.934	38.194
Interest paid		(56.089)	(37.693)
Cash flow from operating activities		843	483
Funding Long-term Loans Receivable		0	(1.476.519)
Funding Short-term Loans Receivable		0	(593.822)
Cash flow from investing activities		0	(2.070.341)
Issuance Non-Current Interest Bearing Liabilities		0	1.476.519
Issuance Short-term Loans Payable		0	593.822
Cash flow from financing activities		0	2.070.341
Effect of foreign exchange rate changes on cash and cash equivalents		(56)	(7)
Net Increase in Cash and Cash Equivalents		787	476
Cash and Cash equivalents at start of Period		5.300	4.461
Cash and Cash equivalents at end of Period	<i>6</i>	6.087	4.937

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

In €thousand	Issued Capital	Other Reserves	Cash Flow Hedge Reserve	Retained Earnings	Total
Balance at January 1, 2015	300	(2)	49.058	3.425	52.781
Movement effective portion of Interest Rate Swaps Airbus SE (Total loss for the period recognized directly in equity)			(6.805)		(6.805)
Profit for the Period				509	509
Total income (loss) for the Period			(6.805)	509	(6.296)
Balance at June 30, 2015	300	(2)	42.253	3.934	46.485
Balance at January 1, 2016	300	(2)	38.178	4.389	42.865
Movement effective portion of Interest Rate Swaps Airbus SE (Total loss for the period recognized directly in equity)			(4.322)		(4.322)
Profit for the Period				493	493
Total income (loss) for the Period			(4.322)	493	(3.829)
Balance at June 30, 2016	300	(2)	33.856	4.882	39.036
Balance at January 1, 2017	300	(2)	25.524	5.499	31.321
Movement effective portion of Interest Rate Swaps Airbus SE (Total loss for the period recognized directly in equity)			(7.620)		(7.620)
Profit for the Period				509	509
Total income (loss) for the Period			(7.620)	509	(7.111)
Balance at June 30, 2017	300	(2)	17.904	6.008	24.210

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017

1. GENERAL

General Information

Effective April 19, 2017, the name of the Company was changed from Airbus Group Finance B.V. into Airbus Finance B.V. ("**Company**"), incorporated on December 2, 2002 and legally seated (*statutaire zetel*) in Amsterdam (registered office at Mendelweg 30, 2333 CS, Leiden, The Netherlands) and registered at the Chamber of Commerce in The Hague under number 34182495. The company is 100% owned by **Airbus SE** (formerly: Airbus Group SE).

The Company's main activity is to finance companies by raising funds through, inter alia, borrowing by way of loan agreements, issuance of bonds, promissory notes and other evidences of indebtedness, to invest and lend funds raised by the Company, to borrow and to participate in all types of financial transactions, including financial derivatives such as interest- and/or currency exchange contracts.

The Company's Unaudited Interim financial statements were authorized for issue by the board of managing directors on July 20, 2017.

This Unaudited Interim financial information for the six-month period ended June 30, 2017 was neither audited nor reviewed.

2. ACCOUNTING PRINCIPLES

Except as described below, the accounting principles applied are consistent with those of the Company's annual financial statements for the year ended December 31, 2016, as described in those annual financial statements.

Basis of Preparation

These Unaudited Interim financial statements for the six-month period ended June 30, 2017 have been prepared in accordance with IAS 34, "Unaudited Interim financial reporting", for Unaudited Interim financial reporting under IFRS, as adopted by the European Union (EU), and in compliance with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code as far as applicable. All financial information presented in Euro has been rounded to the nearest thousand, unless otherwise stated in the notes.

Judgements and estimation uncertainty

The preparation of the Unaudited Interim financial statements in conformity with the Company's accounting policies requires the use of judgement and estimates. Actual results could differ from those estimates. Changes in such estimates and assumptions may affect amounts reported in future periods. The key area requiring application of judgement and estimation is the determination of the fair value of derivatives. Since those instruments are not traded in an active market, the Company uses valuation techniques to determine their fair values. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

Financial Assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. The Company derecognizes a financial

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

asset only when the contractual rights to the asset's cash flows expire or the financial asset has been transferred and the transfer qualifies for derecognition under IAS 39.

Long-term and short-term loans receivable and accrued interest receivable are classified as loans and receivables, which are initially recognized on the settlement date at cost, being the fair value of the consideration given and including acquisition charges. Subsequently they are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated and recognized in the Income Statement taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the Income Statement when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash in bank and in the Intercompany Account with Airbus SE (cash pooling), which is available on a daily basis.

Financial Liabilities

Non-current interest bearing liabilities, short-term loans payable and accrued interest payable are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with any difference between proceeds (net of transaction costs) and redemption amount being recognized in the Income Statement over the period to maturity. Gains and losses are recognized in the Income Statement when the liabilities are derecognized as well as through the amortisation process.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Income Statement.

Derivative Financial Instruments

The Company uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognized and are subsequently measured at fair value in the Statement of Financial Position with changes in fair values recognized either directly in Other Comprehensive Income or in the Income Statement.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

Deferred Taxes

Deferred tax assets and liabilities reflect lower or higher future tax consequences that result in certain assets and liabilities from temporary valuation differences between the financial statement carrying amounts and their respective tax bases as well as from net operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates by the reporting date of 25% to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the new rates are enacted or substantively enacted.

As deferred tax assets anticipate potential future tax benefits, they are recorded in the financial statements of the Company only when the likelihood that the tax benefits will be realized is probable. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Current Taxes

The Company is part of the fiscal unity headed by Airbus SE and consequently the Company's taxable results are included in the tax position of Airbus SE. No income tax has been allocated to the Company as the fiscal unity is in a tax loss position.

Interest income

Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Hedge Accounting

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging instrument and changes in the fair value of the hedged asset or liability attributable to the hedged risk are simultaneously recognized in the Income Statement.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly as Other Comprehensive Income within a separate component of the Shareholders' Equity ("Cash Flow Hedge Reserve"), net of applicable deferred taxes and the ineffective portion is recognized in the Income Statement. When the cash flows that the derivative is hedging materialize, resulting in income or expense, then the associated gain or loss on the hedging derivative recognized as Other Comprehensive Income is simultaneously transferred to the corresponding income or expense line item.

The fair value of interest rate swap contracts is determined by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the swap. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

Cash flow statement

The Company presents its Cash Flow Statement using the indirect method.

3. LONG-TERM LOANS RECEIVABLE

In €thousand	30/06/2017	31/12/2016
Long-term Loans to Airbus SE	<u>4.343.170</u>	<u>4.413.963</u>

On September 11, 2003, the Company entered into a loan agreement with effect of September 25, 2003, with Airbus SE, to make a loan available for the principal amount of €500 million reduced by a discount of €5,06 million. This loan originally bore interest at a rate of 5,54% per annum, payable yearly in arrears each September 25. On February 2, 2006, the Company has changed the interest terms of the loan agreement with effect of December 27, 2005. The amended loan shall bear interest at the rate of EURIBOR three (3) months with a spread of 1,85% per annum from December 27, 2005 onwards. Interest shall be payable quarterly in arrears each March 25, June 25, September 25 and December 25 commencing March 25, 2006 until and including September 25, 2018.

This loan to Airbus SE is repayable on September 25, 2018. The fair market value approximates to the fair market value of the "5,500% Eurobond €500 million" (note 9) reduced by the positive carrying amount of the interest rate swap being valued at fair market value (note 4).

On April 17, 2013, the Company entered into a loan agreement with effect of April 17, 2013, with Airbus SE, to make a loan available for the principal amount of US\$1 billion, reduced by a discount of US\$ 7,02 million. The loan shall bear interest at a rate of 2,72% per annum, payable semi-annually in arrears on each April 17 and October 17.

This loan to Airbus SE is repayable on April 17, 2023. The fair market value approximates to the fair market value of the "2,700% US institutional market bond US\$1 billion" (note 9).

On April 2, 2014, the Company entered into a loan agreement with effect of April 2, 2014, with Airbus SE, to make a loan available for the principal amount of €1 billion, reduced by a discount of €4,92 million. The loan shall bear interest at a rate of 2,395% per annum, payable yearly in arrears on each April 2.

This loan to Airbus SE is repayable on April 2, 2024. The fair market value approximates to the fair market value of the "2,375% Eurobond €1 billion" (note 9).

On October 29, 2014, the Company entered into a loan agreement with effect of October 29, 2014, with Airbus SE, to make a loan available for the principal amount of €500 million, reduced by a discount of €6,245 million. The loan shall bear interest at a rate of 2,145% per annum, payable annually in arrears on each October 29.

This loan to Airbus SE is repayable on October 29, 2029. The fair market value approximates to the fair market value of the "2,125% Eurobond €500 million" (note 9).

On May 13, 2016, the Company entered into two new loan agreements with Airbus SE with effect of May 13, 2016.

The first one loan, repayable on May 13, 2026, with a principal amount of €600 million, is reduced by a discount of €6,282 million and shall bear interest at a rate of 0,905% per annum. The fair market value approximates to the fair market value of the "0,875% Eurobond €600 million" (note 9).

The second loan, repayable on May 13, 2031, with a principal amount of €900 million is reduced by a discount of €7,199 million and shall bear interest at a rate of 1,405 % per annum.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

The fair market value approximates to the fair market value of the "1,375% Eurobond €900 million" (note 9). The interest for both loans is payable yearly in arrears on each May 13.

4. POSITIVE FAIR-VALUE DERIVATIVE INSTRUMENTS

In €thousand	30/06/2017	31/12/2016
Interest Rate Swap Airbus SE, €500 million, 5,5% (maturing 25/09/2018)	23.872	34.032
	23.872	34.032

This amount represents the fair market value, less accrued interest, at June 30, 2017 of the Interest Rate Swap for which the Company has entered into with Airbus SE with effect of December 27, 2005. The notional amount of the swap is €500 million, expiring on September 25, 2018. The Interest Rate Swap is designated as a cash flow hedge and its purpose is to swap the variable interest in connection with the €500 million loan to Airbus SE (see note 3), into a fixed interest rate of 5,50% per annum.

The fair value of the interest rate swap was determined by discounting expected future cash flows using current market interest rates and yield curves over the remaining term of the swap.

The effective portion of the movement of the fair value of the €500 million interest rate swap in the period January-June 2017, for a negative amount of €7,6 million (January-June 2016: negative amount of €4,3 million), was completely recognized in Other Comprehensive Income, net of deferred taxes.

5. ACCRUED INTEREST RECEIVABLE

In €thousand	30/06/2017	31/12/2016
Interest Rate Swaps Airbus SE	20.918	7.280
Long-term Loans to Airbus SE	20.536	36.808
	41.454	44.088

6. CASH AND CASH EQUIVALENTS

In €thousand	30/06/2017	31/12/2016
Intercompany Accounts Airbus SE	6.087	5.300

7. EQUITY

The Company has an authorised share capital of 1,500,000 shares of €1 each. As of June 30, 2017, the issued and paid-up share capital of the Company consists of 300,000 ordinary shares with a par value of €1 each. During the financial year 2017 no additional shares were paid-up. The Other Reserves include capital tax paid in relation to a capital increase.

The Company complies with the capital requirements under applicable law and its articles of association. The main activity of the Company is to refinance Airbus entities. The Company manages its capital with the

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

interest rate spread applied on the loans provided to Airbus SE. The interest rates are based on market conditions.

Subsequent Events

There are no subsequent events to be reported.

8. CASH FLOW HEDGE RESERVE

This amount represents the change in fair value in the reporting year of the Interest Rate Swaps (see note 4), for the effective part of the cash flow hedge, net of deferred taxes. According to Dutch law this reserve is considered to be a legal reserve.

9. NON-CURRENT INTEREST BEARING LIABILITIES

In €thousand	30/06/2017	31/12/2016
- 5,500% Eurobond Airbus Finance B.V., 25/09/2018, fair value €34.525 thousand (prior year: €549.100 thousand)	499.583	499.416
- 2,700% US\$-bond Airbus Finance B.V., 17/04/2023, fair value €80.967 thousand (prior year: €937.463 thousand)	873.511	945.801
- 2,375% Eurobond Airbus Finance B.V., 02/04/2024, fair value €1.104.590 thousand (prior year: €1.123.840 thousand)	996.677	996.434
- 2,125% Eurobond Airbus Finance B.V., 29/10/2029 fair value €39.880 thousand (prior year: €47.845 thousand)	494.868	494.661
- 0,875% Eurobond Airbus Finance B.V., 13/05/2026 fair value €90.526 thousand (prior year: €98.752 thousand)	594.430	594.119
- 1,375% Eurobond Airbus Finance B.V., 13/05/2031 fair value €81.190 thousand (prior year: €03.024 thousand)	884.101	883.532
	4.343.170	4.413.963

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €500 million with value date September 25, 2003. The bond has an original maturity of fifteen years and carries a yearly coupon of 5,500%. The bond matures on September 25, 2018.

The Company has issued an inaugural bond transaction in the US institutional market of US\$1 billion with value date April 17, 2013. The bond has an original maturity of ten years and carries a yearly coupon of 2,700%. The bond matures on April 17, 2023.

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €1 billion with value date April 2, 2014. The bond has an original maturity of ten years and carries a yearly coupon of 2,375%. The bond matures on April 2, 2024.

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €500 million with value date October 29, 2014. The bond has an original maturity of fifteen years and carries a yearly coupon of 2,125%. The bond matures on October 29, 2029.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

The Company has issued a Eurobond benchmark transaction under the EMTN Programme of €600 million with value date May 13, 2016. The bond has an original maturity of ten years and carries a yearly coupon of 0,875%. The bond matures on May 13, 2026.

Also, the Company has issued a Eurobond benchmark transaction under the EMTN Programme of €900 million with value date May 13, 2016. The bond has an original maturity of fifteen years and carries a yearly coupon of 1,375%. The bond matures on May 13, 2031.

The issued bonds are covered by a guarantee from Airbus SE, the parent company. The disclosed fair values of the bonds were determined using market quotations at reporting date.

10. DEFERRED TAXES PAYABLE

The deferred tax liability relates to the temporary difference between the valuation of the derivative financial instruments for financial statements purposes and their respective tax basis. Deferred taxes are recognized as income tax benefit or expense, except for changes in fair value of derivative instruments designated as cash flow hedges which are recorded net of tax in the revaluation reserve. In the six-month period ended June 30, 2017, a positive amount of €2,5 million has been recognized in Other Comprehensive Income (January-June 2016: positive €1,4 million).

11. ACCRUED INTEREST PAYABLE

In €thousand	30/06/2017	31/12/2016
5,500% Eurobond Airbus Finance B.V., 25/09/2018	21.021	7.383
2,700% US\$-bond Airbus Finance B.V., 17/04/2023	4.860	5.265
2,375% Eurobond Airbus Finance B.V., 02/04/2024	5.856	17.829
2,125% Eurobond Airbus Finance B.V., 29/10/2029	7.132	1.863
0,875% Eurobond Airbus Finance B.V., 13/05/2026	705	3.351
1,375% Eurobond Airbus Finance B.V., 13/05/2031	1.661	7.900
	41.235	43.591

12. INTEREST INCOME

In €thousand	January 1 - June 30, 2017	January 1 - June 30, 2016
Long-term Loans to Airbus SE	42.384	42.941
Interest Rate Swaps Airbus SE	9.901	25.550
Amortization of Loan Discount	1.613	1.646
Short-term Loans to Airbus SE	401	362
Intercompany Accounts Airbus SE	3	5
	54.302	70.504

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

13. INTEREST EXPENSES

In €thousand	January 1 - June 30, 2017	January 1 - June 30, 2016
5,500% Eurobond Airbus Finance B.V., 25/09/2018	(13.637)	(13.675)
4,625% Eurobond Airbus Finance B.V., 12/08/2016	-	(22.999)
2,700% US\$-bond Airbus Finance B.V., 17/04/2023	(12.298)	(11.842)
2,375% Eurobond Airbus Finance B.V., 02/04/2024	(11.777)	(11.826)
2,125% Eurobond Airbus Finance B.V., 29/10/2029	(5.269)	(5.283)
0,875% Eurobond Airbus Finance B.V., 13/05/2026	(2.603)	(705)
1,375% Eurobond Airbus Finance B.V., 13/05/2031	(6.137)	(1.661)
Amortization of Bond Issue Costs	(1.613)	(1.639)
Short-term Loans from Commercial Paper Programme	(401)	(363)
	<u>(53.735)</u>	<u>(69.993)</u>

14. INFORMATION ABOUT FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies discussed below. Considering the variability of their value-determining factors and the volume of financial instruments, the fair values presented herein may not be indicative of the amounts that the Group could realise in a current market environment.

Fair value hierarchy - Financial assets and liabilities measured at fair value comprise derivative financial instruments for hedge relations. The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The following table presents the carrying amounts and fair values of financial instruments as of June 30, 2017:

In €million	Book Value	Fair Value
Assets		
Long-term Loans Receivable	4.343	4.508
Derivative Financial Instruments	24	24
Cash and Cash equivalents	6	6
Total	<u>4.373</u>	<u>4.538</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017 (CONTINUED)

In €million	Book Value	Fair Value
Liabilities		
Non-Current Interest Bearing Liabilities	(4.343)	(4.573)
Total	(4.343)	(4.573)

The following table provides the fair value hierarchy of the Company's assets and liabilities as of June 30, 2017 and December 31, 2016:

In Euro thousand	30 June 2017			31 December 2016		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Non-derivative financial assets	0	4.555	4.555	0	4.675	4.675
Derivative financial instruments	0	24	24	0	34	34
Total	0	4.579	4.579	0	4.709	4.709
Financial liabilities measured at fair value						0
Non-derivative financial liabilities	(4.573)	0	(4.573)	(4.660)	0	(4.660)
Total	(4.573)	0	(4.573)	(4.660)	0	(4.660)

The Company determines Level 2 fair values for derivative financial instruments for hedge relations using recognised valuation techniques such as option pricing models and discounted cash flow models. The valuation is based on market data such as currency rates, interest rates and credit spreads as well as price and rate volatilities obtained from recognised vendors of market data.

15. NUMBER OF EMPLOYEES AND EMPLOYMENT COSTS

The Company employed no personnel in the period ended June 30, 2017 (June 30, 2016: 0).

16. DIRECTORS

The Company had no director who received remuneration.

17. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is part of a fiscal unity headed by Airbus SE, which also includes Airbus DS Holdings B.V. and Airbus Defence and Space Netherlands B.V. and therefore the Company is severally and jointly liable for income tax liabilities of the fiscal unity as a whole.

18. RELATED PARTIES

Airbus SE is a related party, as it holds 100% of the shares of Airbus Finance B.V. The transactions and outstanding balances relating to Airbus SE are detailed in the notes. We refer to the comments to long-term and short-term loan receivables, accrued interest receivables, cash and cash equivalents, equity, fair value derivative instruments and interest income.