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Airbus SE – IFRS Consolidated Income Statement for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Revenue	**11**	**70,478**	**63,707**
Cost of sales		(59,973)	(54,920)
Gross margin	**11**	**10,505**	**8,787**
Selling expenses		(908)	(861)
Administrative expenses	12	(5,217)	(1,574)
Research and development expenses	13	(3,358)	(3,217)
Other income	15	370	1,656
Other expenses	15	(356)	(182)
Share of profit from investments accounted for under the equity method	14	299	330
Other income from investments	14	4	109
Profit before financial result and income taxes		**1,339**	**5,048**
Interest income		228	208
Interest expense		(339)	(440)
Other financial result		(164)	(531)
Total financial result	16	(275)	(763)
Income taxes	17	(2,389)	(1,274)
(Loss) Profit for the period		**(1,325)**	**3,011**
Attributable to			
Equity owners of the parent (Net income)		(1,362)	3,054
Non-controlling interests		37	(43)
Earnings per share		**€**	**€**
Basic	18	(1.75)	3.94
Diluted	18	(1.75)	3.92

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Comprehensive Income for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
(Loss) Profit for the period		**(1,325)**	**3,011**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plans	31	(2,669)	(552)
Change in fair value of financial assets		267	(249)
Share of change from investments accounted for under the equity method		(130)	3
Income tax relating to items that will not be reclassified	17	410	(2)
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		54	108
Change in fair value of cash flow hedges	37	(1,434)	(2,959)
Change in fair value of financial assets		136	(80)
Share of change from investments accounted for under the equity method		3	(11)
Income tax relating to items that may be reclassified	17	342	728
Other comprehensive income, net of tax		**(3,021)**	**(3,014)**
Total comprehensive income for the period		**(4,346)**	**(3)**
Attributable to:			
Equity owners of the parent		(4,364)	72
Non-controlling interests		18	(75)

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Airbus SE – IFRS Consolidated Statement of Financial Position for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Assets			
Non-current assets			
Intangible assets	19	16,591	16,726
Property, plant and equipment	20	17,294	16,773
Investment property		2	3
Investments accounted for under the equity method	8	1,626	1,693
Other investments and other long-term financial assets	21	4,453	3,811
Non-current contract assets	22	91	65
Non-current other financial assets	25	1,033	1,108
Non-current other assets	26	522	888
Deferred tax assets	17	5,008	4,835
Non-current securities	36	11,066	10,662
Total non-current assets		**57,686**	**56,564**
Current assets			
Inventories	23	31,550	31,891
Trade receivables	22	5,674	6,078
Current portion of other long-term financial assets	21	449	489
Current contract assets	22	1,167	789
Current other financial assets	25	2,060	1,811
Current other assets	26	2,423	4,246
Current tax assets		1,784	1,451
Current securities	36	2,302	2,132
Cash and cash equivalents	36	9,314	9,413
Total current assets		**56,723**	**58,300**
Assets and disposal group of assets classified as held for sale	7	0	334
Total assets		**114,409**	**115,198**

(In € million)	Note	**2019**	2018
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		784	777
Share premium		3,555	2,941
Retained earnings		2,241	5,923
Accumulated other comprehensive income		(523)	134
Treasury shares		(82)	(51)
Total equity attributable to equity owners of the parent		**5,975**	**9,724**
Non-controlling interests		15	(5)
Total equity	34	**5,990**	**9,719**

Liabilities			
Non-current liabilities			
Non-current provisions	24	12,542	11,571
Long-term financing liabilities	36	8,189	7,463
Non-current contract liabilities	22	16,980	15,832
Non-current other financial liabilities	25	7,498	8,009
Non-current other liabilities	26	384	460
Deferred tax liabilities	17	398	1,318
Non-current deferred income		54	40
Total non-current liabilities		**46,045**	**44,693**

Current liabilities			
Current provisions	24	6,372	7,317
Short-term financing liabilities	36	1,959	1,463
Trade liabilities	22	14,808	16,237
Current contract liabilities	22	26,426	26,229
Current other financial liabilities	25	2,647	2,462
Current other liabilities	26	6,817	5,288
Current tax liabilities		2,780	732
Current deferred income		565	626
Total current liabilities		**62,374**	**60,354**
Disposal group of liabilities classified as held for sale	7	0	432
Total liabilities		**108,419**	**105,479**
Total equity and liabilities		**114,409**	**115,198**

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Cash Flows for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Operating activities:			
(Loss) Profit for the period attributable to equity owners of the parent (Net income)		(1,362)	3,054
(Loss) Profit for the period attributable to non-controlling interests		37	(43)
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(228)	(208)
Interest expense		339	440
Interest received		151	186
Interest paid		(187)	(292)
Income tax expense		2,389	1,274
Income tax paid		(1,476)	(897)
Depreciation and amortization	10	2,927	2,444
Valuation adjustments		600	(1,849)
Results on disposals of non-current assets		(77)	(261)
Results of investments accounted for under the equity method		(299)	(330)
Change in current and non-current provisions		475	1,952
Contribution to plan assets		(1,752)	(2,519)
Change in other operating assets and liabilities:		**2,216**	**(633)**
Inventories		117	(671)
Trade receivables		29	(881)
Contract assets and liabilities		1,297	(684)
Trade liabilities		(1,625)	2,294
Other assets and liabilities and others		2,398	(691)
Cash provided by operating activities [(1)]		**3,753**	**2,318**
Investing activities:			
Purchases of intangible assets, property, plant and equipment, investment property		(2,340)	(2,285)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		112	213
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)		8	129
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(952)	(707)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		358	597
Dividends paid by companies valued at equity	8	210	191
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	7	137	320
Payments for investments in securities		(2,861)	(2,010)
Proceeds from disposals of securities		2,464	1,917
Cash (used for) investing activities		**(2,864)**	**(1,635)**

(In € million)	Note	**2019**	2018
Financing activities:			
Increase in financing liabilities	36	402	103
Repayment of financing liabilities	36	(562)	(2,411)
Cash distribution to Airbus SE shareholders	34	(1,280)	(1,161)
Dividends paid to non-controlling interests		0	0
Payments for liability for puttable instruments		319	179
Changes in capital and non-controlling interests		194	117
Change in treasury shares		(31)	(49)
Cash (used for) financing activities		**(958)**	**(3,222)**
Effect of foreign exchange rate changes on cash and cash equivalents		(45)	(54)
Net (decrease) in cash and cash equivalents		**(114)**	**(2,593)**
Cash and cash equivalents at beginning of period		**9,428**	**12,021**
Cash and cash equivalents at end of period	36	**9,314**	**9,428**
thereof presented as cash and cash equivalents	36	*9,314*	*9,413*
thereof presented as part of disposal groups classified as held for sale	7	*0*	*15*

(1) In 2018, cash provided by operating activities has been positively impacted by certain agreements reached with the Company's suppliers and customers relating to the settlement of claims and negotiation on payment terms. Such measures do not have a material impact in 2019.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

Airbus SE – IFRS Consolidated Statement of Changes in Equity for the years ended 31 December 2019 and 2018

		Equity attributable to equity holders of the parent										
					Accumulated other comprehensive income							
(In € million)	Note	Capital stock	Share premium	Retained earnings	Financial assets at fair value	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 1 January 2018		**775**	**2,826**	**4,586**	**772**	**776**	**999**	**(2)**	**10,732**	**2**	**10,734**
Profit for the period		0	0	3,054	0	0	0	0	3,054	(43)	3,011
Other comprehensive income		0	0	(569)	(280)	(2,249)	116	0	(2,982)	(32)	(3,014)
Total comprehensive income for the period		0	0	2,485	(280)	(2,249)	116	0	72	(75)	(3)
Capital increase	34	2	115	0	0	0	0	0	117	0	117
Share-based payment (IFRS 2)	32	0	0	62	0	0	0	0	62	0	62
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	34	0	0	(1,161)	0	0	0	0	(1,161)	0	(1,161)
Equity transaction (IAS 27)		0	0	(49)	0	0	0	0	(49)	68	19
Change in treasury shares	34	0	0	0	0	0	0	(49)	(49)	0	(49)
Balance at 31 December 2018		**777**	**2,941**	**5,923**	**492**	**(1,473)**	**1,115**	**(51)**	**9,724**	**(5)**	**9,719**
Restatements [(1)]		0	0	(122)	0	0	0	0	(122)	0	(122)
Balance at 1 January 2019, restated [(1)]		**777**	**2,941**	**5,801**	**492**	**(1,473)**	**1,115**	**(51)**	**9,602**	**(5)**	**9,597**
(Loss) Profit for the period		0	0	(1,362)	0	0	0	0	(1,362)	37	(1,325)
Other comprehensive income		0	0	(2,345)	327	(1,048)	64	0	(3,002)	(19)	(3,021)
Total comprehensive income for the period		0	0	(3,707)	327	(1,048)	64	0	(4,364)	18	(4,346)
Capital increase	34	7	614	0	0	0	0	0	621	0	621
Share-based payment (IFRS 2)	32	0	0	76	0	0	0	0	76	0	76
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	34	0	0	(1,280)	0	0	0	0	(1,280)	0	(1,280)
Equity transaction (IAS 27)		0	0	1,351	0	0	0	0	1,351	2	1,353
Change in treasury shares	34	0	0	0	0	0	0	(31)	(31)	0	(31)
Balance at 31 December 2019		**784**	**3,555**	**2,241**	**819**	**(2,521)**	**1,179**	**(82)**	**5,975**	**15**	**5,990**

(1) Opening balance figures are restated due to the application of IFRIC 23.

The accompanying notes are an integral part of these Consolidated Financial Statements (IFRS).

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Notes to the IFRS Consolidated Financial Statements

2.1 Basis of Preparation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** together with its subsidiaries referred to as "the Company", a European public limited-liability company (*Societas Europaea*) with its seat (*statutaire zetel*) in Amsterdam, The Netherlands, its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. The Company's reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see "– Note 10: Segment Information"). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 12 February 2020.

2. Significant Accounting Policies

Basis of preparation — The Company's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and Part 9 of Book 2 of the Netherlands Civil Code. When reference is made to IFRS, this intends to be EU-IFRS.

The Consolidated Financial Statements have been prepared on a historical cost basis, unless otherwise indicated. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note's content. On 1 January 2019, the Company has implemented the new standards IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments". As a result, the Company has changed its accounting policies for lease accounting and for classification and measurement of certain liabilities linked to uncertainty over income tax, as detailed in "– Note 4: Change in Accounting Policies and Disclosures". The Company also early adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform". The implementation of other amendments has no material impact on the Company's Consolidated Financial Statements as of 31 December 2019.The most significant accounting policies are described below, and have been updated accordingly.

Revenue recognition — Revenue is recognised when the Company transfers control of the promised goods or services to the customer. The Company measures revenue, for the consideration to which the Company is expected to be entitled in exchange for transferring promised goods or services. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. The Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations. Advances and pre-delivery payments (contract liabilities) are received in the normal course of business and are not considered to be a significant financing component as they are intended to protect the Company from the customer failing to complete its contractual obligations.

Revenue from the sale of commercial aircraft is recognised at a point in time (*i.e.* at delivery of the aircraft). The Company estimates the amount of price concession granted by the Company's engine suppliers to their customers as a reduction of both revenue and cost of sales.

Revenue from the sale of military aircraft, space systems and services — When control of produced goods or rendered services is transferred over time to the customer, revenue is recognised over time, *i.e.* under the percentage of completion method ("PoC" method).

The Company transfers control over time when:

- it produces a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of contract termination at the convenience of customers (*e.g.* Tiger contract); or

- it creates a good which is controlled by the customer as the good is created or enhanced (*e.g.* Eurofighter contracts, some border security contracts, A400M development); or
- the customer simultaneously receives and consumes the benefits provided by the Company (*e.g.* maintenance contracts).

For the application of the over time method (PoC method), the measurement of progress towards complete satisfaction of a performance obligation is based on inputs (*i.e.* cost incurred).

When none of the criteria stated above have been met, revenue is recognised at a point in time. Revenue has been recognised at the delivery of aircraft under IFRS 15 from the sale of military transport aircraft, from the A400M launch contract and most of NH90 serial helicopters' contracts.

Provisions for onerous contracts — The Company records provisions for onerous contracts when it becomes probable that the total contract costs will exceed total contract revenue. Before a provision for onerous contracts is recorded, the related assets under construction are measured at their net realisable value and written-off if necessary. Onerous contracts are identified by monitoring the progress of the contract together with the underlying programme status. An estimate of the related contract costs is made, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see "– Note 3: Key Estimates and Judgements", "– Note 11: Revenue and Gross Margin" and "– Note 24: Provisions, Contingent Assets and Contingent Liabilities").

Research and development expenses — The costs for internally generated research are expensed when incurred. The costs for internally generated development are capitalised when:

- the product or process is technically feasible and clearly defined (*i.e.* the critical design review is finalised);
- adequate resources are available to successfully complete the development;
- the benefits from the assets are demonstrated (a market exists or the internal usefulness is demonstrated) and the costs attributable to the projects are reliably measured;
- the Company intends to produce and market or use the developed product or process and can demonstrate its profitability.

Income tax credits granted for research and development activities are deducted from corresponding expenses or from capitalised amounts when earned.

Capitalised development costs, are recognised either as intangible assets or, when the related development activities lead to the construction of specialised tooling for production ("jigs and tools"), or involve the design, construction and testing of prototypes and models, as property, plant and equipment. Capitalised development costs are generally amortised over the estimated number of units produced. If the number of units produced cannot be estimated reliably, they are amortised over the estimated useful life of the internally generated intangible asset. Amortisation of capitalised development costs is recognised in cost of sales.

Inventories are measured at the lower of acquisition cost (generally the average cost) or manufacturing cost and net realisable value. Manufacturing costs comprise all costs that are directly attributable to the manufacturing process, such as direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs), including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated costs to complete the sale.

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of an entity of the Company, are translated into the functional currency at the foreign exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured into the functional currency at the exchange rate in effect at that date. Except when deferred in equity as qualifying cash flow hedges (see "– Note 37: Information about Financial Instruments"), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

- in profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions); and
- in finance costs for financial transactions.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated into functional currency at the foreign exchange rate in effect at the date of the transaction. Translation differences on non-monetary financial assets and liabilities that are measured at fair value are reported as part of the fair value gain or loss. However, translation differences of non-monetary financial assets measured at fair value and classified as fair value through other comprehensive income ("OCI") are included in accumulated other comprehensive income ("AOCI").

Hedge accounting — Most of the Company's revenue is denominated in US dollar ("US$"), while a major portion of its costs are incurred in euro. The Company is significantly exposed to the risk of currency changes, mainly resulting from US$/€ exchange rates. Furthermore, the Company is exposed, though to a much lesser extent, to foreign exchange risk arising from costs incurred in currencies other than the euro and to other market risks such as interest rate risk, commodity price and equity price risk.

In order to manage and mitigate those risks, the Company enters into derivative contracts. The Company applies hedge accounting to its derivative contracts whenever the relevant IFRS criteria can be met. Hedge accounting ensures that derivative gains or losses are recognised in profit or loss (mainly in revenue) in the same period that the hedged items or transactions affect profit or loss.

The major portion of the Company's derivative contracts is accounted for under the cash flow hedge model. The fair value hedge model is used only for certain interest rate derivatives. Derivative contracts which do not qualify for hedge accounting are accounted for at fair value through profit and loss; any related gains or losses being recognised in financial result.

The Company's hedging strategies and hedge accounting policies are described in more detail in "– Note 37: Information about Financial Instruments".

3. Key Estimates and Judgements

The preparation of the Company's Consolidated Financial Statements requires the use of estimates and assumptions. In preparing these financial statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis. Key estimates and judgements that have a significant influence on the amounts recognised in the Company's Consolidated Financial Statements are mentioned below:

Revenue recognition for performance obligations transferred over time — The PoC method is used to recognise revenue for performance obligations transferred over time. This method places considerable importance on accurate estimates at completion as well as on the extent of progress towards completion. For the determination of the progress of the performance obligations, significant estimates include total contract costs, remaining costs to completion, total contract revenue, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such performance obligations and adjusts them as necessary (see "– Note 22: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

Provisions — The evaluation of provisions, such as onerous contracts, warranty costs, restructuring measures and legal proceedings are based on best available estimates. Onerous contracts are identified by monitoring the progress of the contract and the underlying programme performance. The associated estimates of the relevant contract costs require significant judgement related to performance achievements including estimates involving warranty costs. Depending on the size and nature of the Company's contracts and related programmes, the extent of assumptions, judgements and estimates in these monitoring processes differs. In particular, the introduction of commercial or military aircraft programmes (*e.g.* A400M) or major derivative aircraft programmes involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

The Company makes estimates and provides across the programmes, for costs related to identified in service technical issues for which solutions have been defined, and for which the associated costs can be reliably estimated taking into consideration the latest facts and circumstances. The Company 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 must be considered on a case by case basis.

Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Company's industry require challenging integration and coordination along the supply chain including an ongoing assessment of suppliers' assertions which may additionally impact the outcome of these monitoring processes.

Employee benefits — The Company accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. The actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future expenses (see "– Note 31: Post-Employment Benefits").

Legal contingencies — Airbus companies are parties to litigations related to a number of matters as described in "– Note 38: Litigation and Claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company. Management regularly analyses current information concerning these matters and provides provisions for probable cash outflows, including the estimate of legal expenses to resolve the matters. Internal and external lawyers are used for these assessments. In making the decision regarding the need for provisions, management considers the degree of probability of an unfavourable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The filing of a suit or formal assertion of a claim against the Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — The Company operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. At each end of the reporting period, the Company assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced, through valuation allowances recognition, if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as the Company's latest operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. Qualitative factors include but are not limited to an entity's history of planning accuracy, performance records, business model, backlog, existence of long-term contracts as well as the nature of temporary differences (see "– Note 17: Income Tax").

Other subjects that involve assumptions and estimates are further described in the respective notes (see "– Note 7: Acquisitions and Disposals", "– Note 19: Intangible Assets" and "– Note 22: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

4. Change in Accounting Policies and Disclosures

The accounting policies applied by the Company in preparation of its 2019 year-end Consolidated Financial Statements are the same as applied for the previous year, except for the first application of the new standards described below. Other than that, amendments, improvements to and interpretations of standards effective from 1 January 2019 have no material impact on the Consolidated Financial Statements.

New, Revised or Amended IFRSs Applied from 1 January 2019

IFRS 16 “Leases”

In May 2016, the IASB published the new standard IFRS 16, which replaces the previous guidance on leases, including IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC-15 “Operating Leases—Incentives”, and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. IFRS 16 introduces a uniform lessee accounting model. Applying that model, a lessee is required to recognise a right-of-use asset representing the lessee’s right to use the underlying asset and a financial liability representing the lessee’s obligation to make future lease payments.

There are exemptions for short-term leases and leases of low-value assets. Lessor accounting remains comparable to that provided by the previous leases standards (IAS 17) and hence lessors will continue to classify their leases as operating leases or finance leases.

The Company adopted the new standard IFRS 16 on 1 January 2019 using the modified retrospective method and therefore the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings which is nil at 1 January 2019, with no restatement of comparative information.

Identifying a lease

Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient according to which it is not required to reassess whether a contract is, or contains, a lease. The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is, or contains, a lease is thus maintained for existing contracts.

The Company as a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on assessment of whether the risks and rewards incidental to ownership of the underlying asset were transferred. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of its leases. Leases which were classified as operating leases under IAS 17 are now recognised on the balance sheet.

When applying IFRS 16 for the first time, the Company has used the following practical expedients for leases previously classified as operating leases under IAS 17:

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to generally measure the right of use relating to the leased asset at the amount of the lease liability, using the discount rate at 1 January 2019. Where accrued lease liabilities existed, the right-of-use asset has been adjusted by the amount of the accrued lease liability under IFRS 16. At initial application of IFRS 16, the measurement of the right-of-use does not include initial direct costs. In some cases, the value of right-of-use assets may differ from the value of the liabilities due to offsetting against existing provisions or as a result of valuation allowances; and
- not to apply the new recognition requirements to short-term leases and to leases of low value assets as soon as the new standard is effective.

The Company’s operating leases mainly relate to real estate assets, company cars and equipment. The most significant impact identified by the Company relates to its operating leases of real estate assets (such as land, warehouses, storage facilities and offices).

For leases that were classified as finance leases under IAS 17, the Company did not change the carrying amount of the right-of-use asset and the lease liability as of 31 December 2018, measured under IAS 17.

The Company as a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor as IFRS 16 compared to previous leases standards does not trigger any change from previous accounting treatment.

Impacts on financial statements

The Company has presented right-of-use assets within “Property, plant and equipment” and lease liabilities within “Financing liabilities” and classified the principal portion of lease payments within financing activities and the interest portion within operating activities. When measuring lease liabilities, the Company discounts lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 1.23%. At 1 January 2019, the impact of renewal options that are reasonably certain to be exercised has been assessed as not significant for the Company.

(In € million)	**1 January 2019**
Operating lease commitment at 31 December 2018 as disclosed in the Company's consolidated financial statements	**1,494**
Short-term and low-value leases recognised on a straight-line basis as expenses	(29)
Discounted effect using the incremental borrowing rate at 1 January 2019	(113)
Finance lease liabilities recognised as at 31 December 2018	330
Lease liabilities recognised at 1 January 2019	**1,682**

IFRIC 23 "Uncertainty over Income Tax Treatments"

In 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment.

The Company adopted the interpretation on 1 January 2019 and has elected to apply the limited exemption in IFRIC 23 relating to transition for classification and measurement, and accordingly has not restated comparative periods in the year of initial application. As a consequence, any adjustments to the carrying amounts of tax liabilities are recognised at the beginning of the reporting period, with the difference recognised in opening equity. The impact is € 122 million as at transition date.

In addition, the uncertain tax liabilities formerly included under provisions have been reclassified to current income tax liabilities for € 326 million

New, Revised or Amended IFRSs Issued, not Applicable but Anticipated

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

The Company has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" issued in September 2019 by the IASB. The amendments provide temporary relief from applying specific accounting requirements to hedging relationships directly affected by the IBOR reform. The reliefs have the effect that the IBOR reform should not cause hedge accounting to terminate. The Company has mainly hedged its debts in bonds and loans with interest rate swaps based on Euribor and US-Libor. In assessing whether the hedges are expected to be highly effective on a forward-looking basis, the Company has therefore assumed that Euribor and US-Libor interest rates are not altered by IBOR reform and has not discontinued the hedges. Details on the interest rate swaps are developed under note 37.4.

New, Revised or Amended IFRSs Issued but not yet Applied

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

Standards and amendments	**IASB effective date for annual reporting periods beginning on or after**	**Endorsement status**
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Endorsed
Amendments to IFRS 3: Definition of a Business	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Endorsed
IFRS 17 "Insurance Contracts"	1 January 2021	Not yet endorsed
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022	Not yet endorsed

5. Brexit

In June 2018, the Company published its Brexit Risk Assessment outlining its expectations regarding the material consequences and risks for the Company arising from the UK leaving the European Union without a deal (a "No deal Brexit"). In September 2018, the Company launched a project to mitigate against the major disruptions Brexit could potentially cause to the Company's business and production activities. To date, significant progress has been made in mitigating the identified risks through for example the modification of Airbus' customs systems, and the stockpiling of parts associated with transportation and logistics. The UK Government's Withdrawal Agreement was ratified and the UK left the European Union in an orderly manner on 31 January 2020, opening a transition period until 31 December 2020. During this transition period, the European Union and the UK are continuing to negotiate their future long term relationship, including around alignment of the regulatory framework for aviation. Until we know and understand the new EU/UK relationship, the risk of a No deal Brexit at the end of the transition period cannot be excluded. Despite the actions the Company is taking internally, the Company's operations and supply chain may still suffer from disruptions, the nature, materiality and duration of which is impossible to predict with any level of certainty. Accordingly, the Company will continue to run its Brexit project and associated crisis management plan, in order to further eradicate and mitigate identified future risks.

2.2 Airbus Structure

6. Scope of Consolidation

Consolidation — The Company's Consolidated Financial Statements include the financial statements of Airbus SE and all material subsidiaries controlled by the Company. The Company's subsidiaries prepare their financial statements at the same reporting date as the Company's Consolidated Financial Statements (see Appendix "Simplified Airbus Structure" chart).

Subsidiaries are entities controlled by the Company including so-called structured entities, which are created to accomplish a narrow and well-defined objective. They are fully consolidated from the date control commences to the date control ceases.

The assessment of control of a structured entity is performed in three steps. In a first step, the Company identifies the relevant activities of the structured entities (which may include managing lease receivables, managing the sale or re-lease at the end of the lease and managing the sale or re-lease on default) and in a second step, the Company assesses which activity is expected to have the most significant impact on the structured entities' return. Finally, the Company determines which party or parties control this activity.

The Company's interests in equity-accounted investees comprise investments in associates and joint ventures. Such investments are accounted for under the equity method and are initially recognised at cost.

The financial statements of the Company's investments in associates and joint ventures are generally prepared for the same reporting period as for the parent company. Adjustments are made where necessary to bring the accounting policies and accounting periods in line with those of the Company.

PERIMETER OF CONSOLIDATION

	31 December	
(Number of companies)	**2019**	2018
Fully consolidated entities	185	189
Investments accounted for under the equity method		
in joint ventures	52	45
in associates	25	19
Total	**262**	**253**

For more details related to unconsolidated and consolidated structured entities, see "– Note 27: Sales Financing Transactions".

7. Acquisitions and Disposals

Business combinations are accounted for using the acquisition method, as at the acquisition date, which is the date on which control is transferred to the Company.

The determination of the fair value of the acquired assets and the assumed liabilities which are the basis for the measurement of goodwill requires significant estimates. Land, buildings and equipment are usually independently appraised while marketable securities are valued at market prices. If intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company either consults with an independent external valuation expert or develops the fair value internally, using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows.

These evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied.

Loss of control, loss of joint control, loss of significant influence — Upon loss of control of a subsidiary, the assets and liabilities and any components of the Company's equity related to the subsidiary are derecognised. Any gain or loss arising from the loss of control is recognised within other income or other expenses in the Consolidated Income Statement. If the Company retains any interest in the previous subsidiary, such interest is measured at fair value at the date the control is lost.

Assets and liabilities of a material subsidiary for which a loss of control is highly probable are classified as assets and liabilities held for sale when the Company has received sufficient evidence that the loss of control will occur in the 12 months after the classification. These assets and liabilities are presented after elimination of intercompany transactions.

When the loss of significant influence or the loss of joint control of an investment accounted under for the equity method is highly probable and is expected to occur in the coming 12 months, this associate or joint venture is classified as an asset held for sale.

Sale of investment in an associate or joint venture — Any gain or loss arising from the disposal of investment accounted for under the equity method is recognised within share of profit from investments.

7.1 Acquisitions

In March 2019, the Company became party to a Debt Financing facility under a Note Purchase Agreements with **OneWeb Communications** for an amount of $ 200 million. The new financing was funded in three equal tranches and has been fully drawn during 2019. Based on the latest developments, a re-assessment of the OneWeb financial assets was performed in December 2019 leading to a decrease in the fair value of the equity investment by € 45 million recorded through OCI, and a depreciation of a loan by € 31 million recorded through financial result. The Company will continue to assess the recoverability of the One-Web investment.

On 16 October 2017, Airbus, Bombardier Inc. ("Bombardier") and Investissement Québec ("IQ") signed an agreement that brings together Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family. Under the agreement, Airbus provides procurement, sales and marketing, and customer support expertise to the **C Series Aircraft Limited Partnership ("CSALP")**, newly named **Airbus Canada Limited Partnership ("ACLP"),** the entity that manufactures and sells the A220. The partnership brings together two complementary product lines. On 8 June 2018, having received all required regulatory approvals, Airbus, Bombardier and IQ closed the C Series transaction effective on 1 July 2018.

On 1 July 2018, Airbus has obtained control of ACLP when it acquired 50.01% Class A ownership units in ACLP. Bombardier and IQ owned at this date 33.55% and 16.44%, respectively. Airbus has consolidated ACLP using the full integration method effective from 1 July 2018. At closing, Airbus paid US$ 1 per share to assume a net liability. Technology and inventories are the main assets acquired. Airbus has assumed the liabilities of ACLP which are mainly related to customer contracts in the backlog, trade payables, advance payments received and refundable advance liabilities. The functional currency of ACLP is the US dollar.

Bombardier continues with its current funding plan of ACLP and funded the second half of 2018 and 2019 cash shortfalls of ACLP for a total amount of $ 575 million. Bombardier has further agreed to continue to fund any cash shortfall up to a maximum aggregate amount of $ 350 million over 2020 and 2021. Bombardier funding is performed in consideration for non-voting participating Class B common units in ACLP. Airbus has the choice to reimburse Bombardier's funding for the lower of the nominal amount plus a yearly 2% interest or an amount equal to the fair value of the shares of ACLP at the purchase date of Class A ownership units.

As at 31 December 2019, the shareholding structure is the following:

Shareholder	Voting rights Class A common units in %	Non-voting right Class B common units in %	Total in %
Airbus	50.26 %	0 %	46.02 %
Bombardier	33.72 %	100 %	39.31 %
IQ	16.02 %	0 %	14.67 %

Airbus benefits from a call right in respect of all of Bombardier's interests in ACLP at fair market value, with the amount for Class B shares subscribed by Bombardier capped at the invested amount plus accrued interests if any, exercisable no earlier than 7.5 years following the closing, except in the event of certain changes in the control of Bombardier, in which case the right is accelerated. Airbus also benefits from a call right in respect of all IQ's interests in ACLP at fair market value no earlier than 4.5 years following the closing.

Bombardier benefits from a corresponding put right whereby it could require Airbus to acquire its interest at fair market value after the expiry of the same period. IQ will also benefit from tag along rights in connection with a sale by Bombardier of its interests in the partnership.

Airbus used the full goodwill approach to account for this transaction. Bombardier's and IQ's interests in ACLP are measured at their estimated fair value. The fair value measurement of the assets acquired and liabilities assumed has been performed by an independent expert. According to IFRS 3, the fair values of acquired assets and assumed liabilities have been determined excluding Airbus specific synergies (mainly with respect to volumes sold and manufacturing costs).

The transaction has been approved by the Boards of Directors of both Airbus and Bombardier, as well as the Cabinet of the Government of Québec. The partnership's head office, primary assembly line and related functions are based in Mirabel, Québec (Canada).

The opening balance sheet of ACLP has not been adjusted in 2019 and has been completed on 1 July 2019 in accordance with IFRS 3 "Business Combinations" after the one year period.

The following table summarises the final allocation of the purchase price to the acquired assets and the assumed liabilities at the acquisition date:

(In € million)	**Total**
Intangible assets [1]	1,377
Property, plant and equipment	252
Deferred tax assets	86
Inventories [2]	660
Trade receivables	8
Other financial assets	350
Other assets	93
Cash and cash equivalents	129
Total assets acquired	**2,955**
Provisions / Acquired customer contracts [3]	2,609
Deferred tax liabilities	77
Trade liabilities	270
Contract liabilities	685
Other financial liabilities	827
Other liabilities	356
Total liabilities assumed	**4,824**
Net assets assumed	**1,870**
Non-controlling interests (at fair value, i.e. including synergies provided by the acquirer) [4]	2,246
Consideration transferred [5]	(225)
Goodwill arising on acquisition [6]	**3,891**

(1) Intangible assets: Mainly include the acquired technology for the A220 programme. The fair value of the programme was measured using the "multi-excess earnings method" and is equal to the present value of the after-tax cash flows attributable to future deliveries excluding existing contracts in the backlog which are valued separately. The technology will be amortised over the expected number of aircraft to be delivered over the programme useful life.

(2) Inventories: The fair value of the inventories has been measured considering net contractual selling prices.

(3) Acquired customer contracts: This represents the present value of the excess of expected fulfilment costs over contractual selling prices for all acquired customer contracts in the backlog. Estimated fulfilment costs include both direct costs that will be recognised in gross margin and contributory asset charges to reflect the return required on other assets that contribute to the generation of the forecasted cash flows. This liability will be released as a reduction in cost of sales based on the delivered aircraft considered in the measurement of the liability.

(4) Non-controlling interests: Airbus has recognised a financial liability at fair value for the estimated exercise price of the written put options on non-controlling interests (Bombardier put option and IQ tag along). According to the accounting policy of the Company, changes in the fair value of the liability are recognised directly in equity.

(5) Consideration transferred: Airbus paid US$ 1 per share (754 shares) to acquire 50.01% of ACLP and received 100,000,000 warrants which are each entitled to one Class B Bombardier common share at a strike price equal to the US equivalent of Can$ 2.29. The fair value amounted to US$ 263 million as at 1 July 2018. As a result, the consideration transferred is negative.

(6) Goodwill: The goodwill mostly represents Airbus specific synergies expected from the acquisition, which have been excluded from the fair value measurement of the identifiable net assets. These synergies mainly relate to higher expected volumes of aircraft sold and lower manufacturing costs. ACLP is part of the cash generating unit ("CGU") Airbus and is tested for impairment on an annual basis. The opening balance sheet after purchase price allocation of ACLP has been audited as at 1 July 2018.

7.2 Disposals

On 23 December 2019, the Company finalised the sale of **PFW Aerospace GmbH** to Hutchinson Holding GmbH. Since 2011, Airbus held 74.9 % in PFW Aerospace GmbH, a key supplier in the aerospace industry, while Safeguard held the remaining 25.1%. Airbus received a consideration of € 103 million and recognised a gain of € 57 million, reported in other income. Assets and liabilities of the disposed company were previously classified as held for sale.

On 29 March 2019, the Company confirmed the agreement to sell its shares in **Alestis Aerospace S.L.** to Aciturri Aeronáutica S.L., a company headquartered in Miranda de Ebro, Spain. The closing of the transaction occurred on 30 July 2019. The Company recognised a gain for an amount of € 45 million in Airbus. Assets and liabilities of the disposed company were previously classified as held for sale.

On 1 October 2018, the Company completed the disposal of its subsidiary **Compañía Española de Sistemas Aeronáuticos, S.A. ("CESA")** to Héroux-Devtek Inc. ("Héroux-Devtek"), for a purchase price of € 114 million.

On 7 March 2018, the Company finalised the sale of **Plant Holdings, Inc.**, held by the Airbus DS Communications Inc. business, to Motorola Solutions after receiving the required regulatory approvals. Airbus Defence and Space recognised a gain of € 159 million, reported in other income.

7.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2019, the Company accounted for **assets and disposal group of assets classified as held for sale** in the amount of € 0 million (2018: € 334 million) and for **disposal group of liabilities classified as held for sale** in the amount of € 0 million (2018: € 432 million), following the disposal of PFW Aerospace GmbH and Alestis Aerospace S.L.

The assets and disposal group of assets and liabilities classified as held for sale consist of:

	31 December	
(In € million)	**2019**	2018
Non-current assets	0	232
Inventories	0	21
Trade receivables	0	63
Other assets	0	2
Cash and cash equivalents	0	16
Assets and disposal groups of assets classified as held for sale	**0**	**334**
Provisions	0	3
Non-current financing liabilities	0	201
Trade liabilities	0	42
Other liabilities	0	186
Disposal groups of liabilities classified as held for sale	**0**	**432**

7.4 Cash Flows from Disposals including Assets and Disposal Groups Classified as Held for Sale

The following table provides details on cash flows from disposals (resulting in assets and liabilities disposed) of subsidiaries, joint ventures and businesses:

(In € million)	**2019**	2018
Total selling price received by cash and cash equivalents	173	325
Cash and cash equivalents included in the disposed subsidiaries	(36)	(5)
Total	**137**	**320**

The aggregate cash flows from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2019 result mainly from the sale of PFW Aerospace GmbH and Alestis Aerospace S.L. In 2018, they resulted mainly from the sale of Plant Holdings, Inc. and CESA.

8. Investments Accounted for under the Equity Method

	31 December	
(In € million)	**2019**	2018
Investments in joint ventures	1,444	1,484
Investments in associates	182	209
Total	**1,626**	**1,693**

Investments accounted for under the equity method decreased by € -67 million to € 1,626 million (2018: € 1,693 million). They mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

8.1 Investments in Joint Ventures

The joint ventures in which the Company holds an interest are structured in separate incorporated companies. Under joint arrangement agreements, unanimous consent is required from all parties to the agreement for all relevant activities. The Company and its partners have rights to the net assets of these entities through the terms of the contractual agreements.

The Company's interest in its joint ventures, accounted for under the equity method, is stated in aggregate in the following table:

(In € million)	**2019**	2018
Carrying amount of the investments at 1 January	**1,484**	**1,424**
Share of results from continuing operations	264	291
Share of other comprehensive income	(82)	(15)
Dividends received during the year	(225)	(182)
Others	3	(34)
Carrying amount of the investments at 31 December	**1,444**	**1,484**

The Company's individually material joint ventures are ArianeGroup, Paris (France), MBDA S.A.S., Paris (France), and ATR GIE, Blagnac (France), as parent companies of their respective groups. These joint venture companies are not publicly listed.

ArianeGroup is a 50% joint venture between the Company and Safran. ArianeGroup is the head company in a group comprising several subsidiaries and affiliates, all leading companies in their fields, such as: APP, Arianespace, Cilas, Eurockot, Eurocryospace, Europropulsion, Nuclétudes, Pyroalliance, Regulus, Sodern and Starsem. ArianeGroup inherits a rich portfolio of products and services, enabling it to deliver innovative and competitive solutions to numerous customers around the world.

The Company holds a 37.5% stake in **MBDA** at 31 December 2019, which is 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 and maritime superiority, as well as advanced technological solutions for battlefield engagement.

ATR GIE manufactures advanced turboprop aircraft. It is a 50% joint venture between Leonardo group company and the Company. Both Leonardo and the Company provide airframes which are assembled by ATR GIE in France. The members of ATR GIE are legally entitled exclusively to the benefits and are liable for the commitments of the Company. ATR GIE is obliged to transfer its cash to each member of the joint venture.

The following table summarises financial information for ArianeGroup, MBDA and ATR GIE based on their Consolidated Financial Statements prepared in accordance with IFRS:

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2019**	2018	**2019**	2018	**2019**	2018
Revenue	3,069	3,587	3,703	3,164	1,438	1,498
Depreciation and amortisation	(128)	(128)	(126)	(107)	(33)	(19)
Interest income	4	5	13	9	0	0
Interest expense	(15)	(3)	(26)	(6)	0	0
Income tax expense	(71)	(83)	(127)	(99)	(3)	(3)
Profit from continuing operations	133	251	268	239	106	193
Other comprehensive income	(79)	(14)	(79)	5	0	0
Total comprehensive income (100%)	**54**	**237**	**189**	**244**	**106**	**193**
Non-current assets	6,207	5,748	2,718	2,437	252	172
Current assets	6,610	6,626	7,707	7,654	729	674
thereof cash and cash equivalents	*828*	*507*	*2,906*	*2,658*	*6*	*3*
Non-current liabilities	1,067	688	1,114	1,046	166	87
thereof non-current financial liabilities (excluding trade and other payables and provisions)	*517*	*137*	*5*	*9*	*0*	*0*
Current liabilities	7,601	7,514	8,693	8,462	592	460
thereof current financial liabilities (excluding trade and other payables and provisions)	*57*	*28*	*25*	*6*	*0*	*0*
Total equity (100%)	**4,149**	**4,172**	**618**	**583**	**223**	**299**
Equity attributable to the equity owners of the parent	4,145	4,157	618	583	223	299
Non-controlling interests	4	15	0	0	0	0

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2019**	2018	**2019**	2018	**2019**	2018
The Company's interest in equity on investee	2,073	2,078	232	218	111	150
Goodwill	244	244	282	282	0	0
PPA adjustments, net of tax	(1,519)	(1,519)	0	0	0	0
Airbus Defence and Space PPA (including 2016 Ariane 6 catch-up)	(52)	(37)	0	0	0	0
Contingent liability release adjustment	(30)	(25)	0	0	0	0
Fair value adjustments and modifications for differences in accounting policies	(19)	(21)	(11)	(11)	0	0
Dividend adjustment	0	0	(53)	(26)	0	0
Elimination of downstream inventory	2	2	0	0	(5)	(4)
Carrying amount of the investment at 31 December	**699**	**722**	**450**	**463**	**106**	**146**

The development of these investments is as follows:

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2019**	2018	**2019**	2018	**2019**	2018
Carrying amount of the investment at 1 January	**722**	**698**	**463**	**397**	**146**	**169**
Share of results from continuing operations	52	88	101	91	54	98
Share of other comprehensive income	(38)	(8)	(30)	(1)	(3)	4
Dividends received during the year	(38)	(26)	(84)	(26)	(90)	(125)
Changes in consolidation	0	0	0	0	0	0
Others	0	(30)	(1)	2	(1)	0
Carrying amount of the investment at 31 December	**699**	**722**	**450**	**463**	**106**	**146**

The Company’s share of contingent liabilities as of 31 December 2019 relating to MBDA is € 412 million (2018: € 420 million).

8.2 Investments in Associates

The Company’s interests in associates, accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2019**	2018
Carrying amount of the investment at 1 January	**209**	**193**
Share of results from continuing operations	35	39
Share of other comprehensive income	(14)	11
Dividends received during the year	(21)	(36)
Changes in consolidation	0	1
Others	(27)	1
Carrying amount of the investment at 31 December	**182**	**209**

The cumulative unrecognised comprehensive loss for these associates amounts to € -52 million and € -30 million as of 31 December 2019 and 2018, respectively (thereof € -22 million for the period).

9. Related Party Transactions

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expenses	Receivables at 31 December	Liabilities at 31 December	Loans granted / Other receivables due at 31 December	Loans received / Other liabilities due at 31 December
2019						
Total transactions with associates	4	204	5	36	97	7
Total transactions with joint ventures	2,069	268	1,289	1,432	2	1,222
2018						
Total transactions with associates	13	222	3	39	95	20
Total transactions with joint ventures	2,197	209	1,200	1,175	0	1,121

Transactions with unconsolidated subsidiaries are immaterial to the Company's Consolidated Financial Statements.

As of 31 December 2019, the Company granted guarantees of € 129 million to Air Tanker Group in the UK (2018: € 129 million).

For information regarding the funding of the Company's pension plans, which are considered as related parties, see "– Note 31: "Post-Employment Benefits".

The information relative to compensation and benefits granted to Members of the Executive Committee and Board of Directors are disclosed in "– Note 33: Remuneration".

2.3 Segment Information

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

- **Airbus** — 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. It also includes the holding function of the Company and its bank activities.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military Aircraft design, development, delivery, and support of military aircraft such as combat, mission, transport and tanker aircraft and their associated services. Space Systems design, development, delivery, and support of full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Connected Intelligence provision of services around data processing from platforms, secure communication and cyber security. In addition, the main joint ventures design, develop, deliver, and support missile systems as well as space launcher systems. Unmanned Aerial Systems design, development, delivery and service support.

10. Segment Information

The following tables present information with respect to the Company's business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus and Airbus Defence and Space and between Airbus Helicopters and Airbus. Other activities not allocable to the reportable segments, together with consolidation effects, are disclosed in the column "Transversal/Eliminations".

The Company uses EBIT as a key indicator of its economic performance.

Business segment information for the year ended 31 December 2019 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	**Consolidated Airbus**
Total revenue	54,775	6,007	10,907	0	71,689
Internal revenue	(696)	(429)	(86)	0	(1,211)
Revenue	**54,079**	**5,578**	**10,821**	**0**	**70,478**
thereof					
sales of goods at a point in time	*50,577*	*2,924*	*3,457*	*0*	*56,958*
sales of goods over time	*21*	*278*	*3,942*	*0*	*4,241*
services, including sales of spare parts	*3,481*	*2,376*	*3,422*	*0*	*9,279*
Profit before finance result and income taxes (EBIT)	**2,205**	**414**	**(881)**	**(399)**	**1,339**
thereof					
depreciation and amortisation	*(2,130)*	*(160)*	*(555)*	*(82)*	*(2,927)*
research and development expenses	*(2,405)*	*(291)*	*(302)*	*(360)*	*(3,358)*
share of profit from investments accounted for under the equity method	*63*	*8*	*228*	*0*	*299*
additions to other provisions [(1)]	(1,573)	(429)	(1,788)	(11)	(3,801)
Interest result					(111)
Other financial result					(164)
Income taxes					(2,389)
Loss for the period					**(1,325)**

(1) See "– Note 24: Provisions, Contingent Assets and Contingent Liabilities

Business segment information for the year ended 31 December 2018 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	**Consolidated Airbus**
Total revenue	47,970	5,934	11,063	0	64,967
Internal revenue	(771)	(411)	(78)	0	(1,260)
Revenue	**47,199**	**5,523**	**10,985**	**0**	**63,707**
thereof					
sales of goods at a point in time	*44,175*	*2,917*	*3,080*	*0*	*50,172*
sales of goods over time	*23*	*362*	*4,579*	*0*	*4,964*
services, including sales of spare parts	*3,001*	*2,244*	*3,326*	*0*	*8,571*
Profit before finance result and income taxes (EBIT)	**4,295**	**366**	**676**	**(289)**	**5,048**
thereof					
depreciation and amortisation	*(1,794)*	*(167)*	*(457)*	*(26)*	*(2,444)*
research and development expenses	*(2,214)*	*(315)*	*(328)*	*(360)*	*(3,217)*
share of profit from investments accounted for under the equity method	*114*	*10*	*206*	*0*	*330*
additions to other provisions	*(2,843)*	*(569)*	*(1,652)*	*8*	*(5,056)*
Interest result					(232)
Other financial result					(531)
Income taxes					(1,274)
Profit for the period					**3,011**

Segment capital expenditures	31 December	
(In € million)	**2019**	2018
Airbus	1,678	1,618
Airbus Helicopters	163	149
Airbus Defence and Space	498	518
Transversal / Eliminations	1	0
Total capital expenditures (1)	**2,340**	**2,285**

(1) Excluding expenditure for leased assets.

Segment assets	31 December	
(In € million)	**2019**	2018
Airbus	64,723	66,612
Airbus Helicopters	9,407	8,885
Airbus Defence and Space	17,456	19,056
Transversal / Eliminations	(6,651)	(8,182)
Total segment assets	**84,935**	**86,371**
Unallocated		
Deferred and current tax assets	6,792	6,286
Securities	13,368	12,794
Cash and cash equivalents	9,314	9,413
Assets classified as held for sale	0	334
Total assets	**114,409**	**115,198**

Revenue by geographical areas is disclosed in "– Note 11: Revenue and Gross Margin". Property, plant and equipment by geographical areas is disclosed in "– Note 20: Property, Plant and Equipment".

Segment order backlog	31 December			
	2019		2018	
	(In € million)	*(in %)*	*(In € million)*	*(in %)*
Airbus	424,082	90	411,659	90
Airbus Helicopters	16,627	3	14,943	3
Airbus Defence and Space	32,263	7	35,316	8
Transversal / Eliminations	(1,484)	0	(2,393)	(1)
Total	**471,488**	**100**	**459,525**	**100**

As of 31 December 2019, the total backlog represents the aggregate amount of the transaction price allocated to the unsatisfied and partially unsatisfied performance obligations to the Company's customers. Backlog commitments are relative to the Company's enforceable contracts with its customers where it is probable that the consideration will be collected. The value of the backlog is measured in accordance with the revenue recognition standard (IFRS 15) implemented from 1 January 2018. As a result, contractual rebates, engines concessions, and variable considerations are taken into consideration for measurement. Contracts stipulated in a currency different than the presentation currency are translated to euro using the spot rate as of 31 December 2019 and 2018 respectively. Adjustments to the value of the backlog could result from changes in the transaction price. The backlog will mainly be released into revenue over a period of seven years.

2.4 Airbus Performance

11. Revenue and Gross Margin

Revenue increased by € +6,771 million to € 70,478 million (2018: € 63,707 million), mostly at Airbus (€ +6,880 million) driven by higher deliveries of 863 aircraft (in 2018: 800 aircraft), and a favourable foreign exchange impact.

Revenue by geographical areas based on the location of the customer is as follows:

(In € million)	**2019**	2018
Asia-Pacific	22,625	23,297
Europe	22,591	17,780
North America	12,036	11,144
Middle East	7,053	6,379
Latin America	1,851	1,437
Other countries	4,322	3,670
Total	**70,478**	**63,707**

The **gross margin** increased by € +1,718 million to € 10,505 million compared to € 8,787 million in 2018, mainly driven by higher deliveries, favourable mix and improved performance at Airbus, partly offset by Airbus Defence and Space performance and provisions recognised on the A400M programme. The gross margin rate increased from 13.8% to 14.9%.

In 2019, Airbus has delivered 112 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2019 have been reflected in the financial statements.

Risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer commitments. Despite the progress made, challenges remain with recurring cost convergence.

As of 31 December 2018, the Company's largest A380 operator reviewed its aircraft fleet strategy going forward and concluded it is forced to restructure and reduce its A380 order by 39 aircraft. The Company entered into discussions with the customer in late 2018 which finally resulted in the signature of a head of agreement on 11 February 2019. Without this customer's A380 order, the Company has no substantial order backlog and no basis to sustain A380 production, despite all sales and marketing efforts in recent years. As a consequence of this decision, deliveries of the A380 will cease in 2022.

At year-end 2018, in view of the above, the Company reassessed accordingly the expected market assumptions and the recoverability and depreciation method of specific assets allocated to the A380 programme. As a result, the Company impaired specific A380 assets in the amount of € 167 million, recognised an onerous contract provision for an amount of € 1,257 million and updated the measurement of refundable advances including interest accretion for a total amount of € 1,426 million. As a consequence, the recognition of the onerous contract provision as well as other specific provisions and the remeasurement of the liabilities affected the consolidated income statement before taxes by a net € 463 million in EBIT and positively impacted the other financial result by € 177 million as of 31 December 2018.

In 2019, the Company recorded an additional net charge of € 99 million in EBIT as part of its continuous assessment of assets recoverability and quarterly review of onerous contract provision assumptions.

As of 31 December 2019, the Company has delivered a total of 88 A400M aircraft including 14 in 2019.

On 13 June 2019, the Company concluded together with OCCAR and the Nations the negotiations on a global re-baselining of the programme. A contract amendment has been signed by all parties, providing a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule.

The Company continued with development activities toward achieving the revised capability roadmap. Important certification milestones have been achieved in 2019, in particular on critical Paratrooper Simultaneous Dispatch and Helicopter Air to Air refuelling capabilities. Technical modifications corresponding to NSOC2 contractual standard have been certified and qualified. However NSOC2 Type Acceptance initially planned in 2019 is still pending due to on-going discussions on some operational limitations.

Retrofit activities are progressing in line with the customer agreed plan.

In the fourth quarter 2019, an update of the contract estimate at completion has been performed and an additional charge of € 1,212 million has been recorded. This reflects mainly the updated estimates on the export scenario during the launch contract phase based of a revision of the market perspectives taking into account the current environment, including the suspension of the export licenses by the German Government and its consequences on potential prospects. It reflects as well some cost increases in particular for retrofit and an updated view on applicable escalation.

Risks remain on development of technical capabilities and the associated costs, on aircraft operational reliability in particular with regard to powerplant, on cost reductions and on securing export orders in time as per the revised baseline.

Due to the repeatedly prolonged suspension of defence export licences to Saudi Arabia by the German Government, and the consequential inability of the Company to execute a customer contract, a revised Estimate at Completion (EAC) was performed. As a result a € 221 million impairment charge mainly on inventories on top of a € 112 million financial expense related to hedge ineffectiveness, have been recognised as of 30 September 2019. The Company is engaging with its customer to agree a way forward on this contract. The outcome of these negotiations is presently unclear but could result in significant further financial impacts.

12. Administrative Expenses

Administrative expenses increased by € +3,643 million to € 5,217 million (2018: € 1,574 million), mainly due to the final agreements reached with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO) and the U.S. Department of State (DoS). For further information, see "– Note 38: Litigation and Claims".

13. Research and Development Expenses

Research and development expenses increased by € +141 million to € 3,358 million compared to € 3,217 million in 2018, primarily reflecting research and development activities on the A320 and A350 programmes. In addition, an amount of € 133 million of development costs has been capitalised, mainly related to Airbus programmes.

14. Share of Profit from Investments Accounted for under the Equity Method and Other Income from Investments

(In € million)	**2019**	2018
Share of profit from investments in joint ventures	265	291
Share of profit from investments in associates	34	39
Share of profit from investments accounted for under the equity method	**299**	**330**
Other income from investments	**4**	**109**

Share of profit from investments under the equity method and **other income from investments** decreased by € -136 million to € 303 million compared to € 439 million in 2018.

15. Other Income and Other Expenses

Other income decreased by € -1,286 million to € 370 million compared to € 1,656 million in 2018. This decrease is mainly related to the exceptional release of liabilities on the A380 programme in 2018, partly compensated by the capital gains from the sale of PFW Aerospace GmbH and Alestis Aerospace S.L in 2019. For more details, see "– Note 7: Acquisitions and Disposals".

Other expenses increased by € +174 million to € -356 million compared to € -182 million in 2018.

16. Total Financial Result

Interest income derived from the Company's asset management and lending activities is recognised as interest accrues, using the effective interest rate method.

(In € million)	**2019**	2018
Interests on European Governments' refundable advances	(96)	(181)
Others	(15)	(51)
Total interest result [(1)]	**(111)**	**(232)**
Change in fair value measurement of financial instruments	68	(340)
Foreign exchange translations on monetary items	(69)	(238)
Unwinding of discounted provisions	(46)	(44)
Others	(117)	91
Total other financial result	**(164)**	**(531)**
Total	**(275)**	**(763)**

(1) In 2019, the total interest income amounts to € 228 million (2018: € 208 million) for financial assets which are not measured at fair value through profit or loss. For financial liabilities which are not measured at fair value through profit or loss € -339 million (2018: € -440 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

Total financial result improved by € +488 million to € -275 million compared to € -763 million in 2018. This is mainly due to the positive impact from foreign exchange valuation of monetary items for an amount of € 169 million and the revaluation from financial instruments of € 408 million. The financial result includes the financial expense of € 112 million on hedge ineffectiveness (see "– Note 11: Revenue and Gross Margin").

17. Income Tax

The expense for income taxes is comprised of the following:

(In € million)	**2019**	2018
Current tax expense	(2,903)	(477)
Deferred tax expense	514	(797)
Total	**(2,389)**	**(1,274)**

Main income tax rates and main changes impacting the Company:

(Rate in %)	**2019**	**2020**	**> 2020**
Netherlands (1)	25.00	25.00	21.70
France (2)	34.43	32.02	25.83
Germany	30.00	30.00	30.00
Spain	25.00	25.00	25.00
UK (3)	19.00	17.00	17.00

(1) A tax law has been enacted in 2019 changing the rate for income taxes from 25.00% to 21.70% as of 2021

(2) A tax law has been enacted in 2017 changing the rate for income taxes from 34.43% to 32.02% for 2019, to 28.92% for 2020, to 27.37% for 2021 and to 25.83% from 2022. This tax law has been amended in 2019 postponing the tax rate decrease to 32.02% to 2020, to 28.4% to 2021 and to 25.83% from 2022

(3) 17% from 1 April 2020

The following table shows a reconciliation from the theoretical income tax (expense) using the Dutch corporate tax rate to the reported income tax (expense):

(In € million)	**2019**	2018
Profit before income taxes	1,064	4,285
Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(266)	(1,071)
Effects from tax rate differentials / Change of tax rate	(439)	(41)
Capital gains and losses on disposals / mergers	21	40
Income from investment and associates	74	76
Tax credit	49	64
Change in valuation allowances (1)	(467)	(299)
Non-deductible final agreements reached with PNF, SFO and DoS	(899)	0
Tax contingencies	(331)	(110)
Other non-deductible expenses and tax-free income	(131)	67
Reported tax (expense)	**(2,389)**	**(1,274)**

(1) Reassessments of the recoverability of deferred tax assets based on future taxable profits.

The **income tax** expense amounts to € -2,389 million in 2019 (2018: € -1,274 million). The high effective tax rate in 2019 is mainly driven by the non-deductibility of the penalties accounted for in the 2019 accounts (see "– Note 38: Litigation and claims"). It also comprises deferred tax impairments and tax risk updates partially offset by the sales of PFW Aerospace GmbH and Alestis Aerospace S.L. at a reduced tax rate (see "– Note 7: Acquisitions and Disposals").

In 2018, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. This was partially offset by the tax-free sale of Plant Holdings Inc. (see "– Note 7: Acquisitions and Disposals").

As the Company controls the timing of the reversal of temporary differences associated with its subsidiaries (usually referred to as "outside basis differences") arising from yet undistributed profits and changes in foreign exchange rates, it does not recognise a deferred tax liability. For temporary differences arising from investments in associates the Company recognises deferred tax liabilities. The rate used reflects the assumptions that these differences will be recovered from dividend distribution unless a management resolution for the divestment of the investment exists at the closing date. For joint ventures, the Company assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2019, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, for which deferred tax liabilities have not been recognised, amounts to € 152 million.

Deferred taxes on net operating losses ("NOLs"), trade tax loss carry forwards and tax credit carry forwards are:

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2019**	31 December 2018
NOL	600	2,432	110	1,520	2,300	6,962	6,307
Trade tax loss carry forwards	0	2,544	0	0	0	2,544	2,020
Tax credit carry forwards	0	0	287	10	2	299	332
Tax effect	**155**	**745**	**314**	**269**	**590**	**2,073**	**1,868**
Valuation allowances	(131)	(711)	(182)	(52)	(512)	(1,588)	(1,015)
Deferred tax assets on NOLs and tax credit carry forwards	**24**	**34**	**132**	**217**	**78**	**485**	**853**

NOLs, capital losses and trade tax loss carry forwards are indefinitely usable under certain restrictions in France, Germany, the UK and Spain. They are usable for 20 years in Canada. In Spain, R&D tax credit carry forwards still expire after 18 years. The first tranche of tax credit carry forwards (€ 1 million) will expire in 2020. No deferred tax has been recognised for this tranche.

Roll forward of deferred taxes:

(In € million)	**2019**	2018
Net deferred tax assets at 1 January	**3,516**	**3,560**
Deferred tax expense in income statement	514	(797)
Deferred tax recognised directly in AOCI	308	754
Deferred tax on remeasurement of the net defined benefit pension plans	442	(28)
Others	(170)	27
Net deferred tax assets at 31 December	**4,610**	**3,516**

Details of deferred taxes recognised cumulatively in equity are as follows:

(In € million)	**2019**	2018
Financial assets at fair value through OCI	(151)	(75)
Cash flow hedges	830	446
Deferred tax on remeasurement of the net defined benefit pension plans	2,136	1,694
Total	**2,815**	**2,065**

Deferred income taxes as of 31 December 2019 are related to the following assets and liabilities:

	1 January 2019		Other movements		Movement through income statement		**31 December 2019**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others[(1)]	R&D tax credits	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Intangible assets	147	(462)	0	(16)	0	49	221	(503)
Property, plant and equipment	613	(1,011)	0	(3)	0	176	55	(281)
Investments and other long-term financial assets	1,416	(14)	0	21	0	436	1,897	(38)
Inventories	1,416	(13)	0	(3)	0	1,199	2,636	(37)
Receivables and other assets	646	(1,681)	319	51	0	1,292	1,937	(1,310)
Prepaid expenses	12	0	0	0	0	1	13	0
Provisions for retirement plans	695	(57)	884	11	0	(573)	961	0
Other provisions	1,890	44	0	(17)	0	(448)	2,026	(557)
Liabilities	887	(1,689)	0	(79)	0	(1,233)	1,528	(3,642)
Deferred income	0	(63)	0	3	0	(157)	19	(236)
NOLs and tax credit carry forwards	1,868	0	0	0	(33)	238	2,073	0
Deferred tax assets (liabilities) before offsetting	**9,590**	**(4,946)**	**1,203**	**(32)**	**(33)**	**981**	**13,366**	**(6,604)**
Valuation allowances on deferred tax assets	(1,127)	0	(453)	0	(105)	(467)	(2,152)	0
Set-off	(3,628)	3,628	0	0	0	0	(6,206)	6,206
Net deferred tax assets (liabilities)	**4,835**	**(1,318)**	**750**	**(32)**	**(138)**	**514**	**5,008**	**(398)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

Deferred income taxes as of 31 December 2018 are related to the following assets and liabilities:

(In € million)	1 January 2018 Deferred tax assets	1 January 2018 Deferred tax liabilities	Other movements OCI / IAS 19	Other movements Others[1]	Movement through income statement R&D tax credits	Movement through income statement Deferred tax benefit (expense)	**31 December 2018** Deferred tax assets	**31 December 2018** Deferred tax liabilities
Intangible assets	70	(586)	0	0	0	201	147	(462)
Property, plant and equipment	681	(1,257)	0	1	0	177	613	(1,011)
Investments and other long-term financial assets	559	(167)	0	9	0	1,001	1,416	(14)
Inventories	1,376	(1,871)	0	0	0	1,898	1,416	(13)
Receivables and other assets	3,553	(3,286)	590	(61)	0	(1,831)	646	(1,681)
Prepaid expenses	0	(2)	0	0	0	14	12	0
Provisions for retirement plans	1,480	0	(156)	27	0	(713)	695	(57)
Other provisions	3,508	(1,239)	0	0	0	(335)	1,890	44
Liabilities	2,504	(2,211)	123	(4)	0	(1,214)	887	(1,689)
Deferred income	(94)	(67)	0	0	0	98	0	(63)
NOLs and tax credit carry forwards	1,617	0	0	86	(41)	206	1,868	0
Deferred tax assets (liabilities) before offsetting	**15,254**	**(10,686)**	**557**	**58**	**(41)**	**(498)**	**9,590**	**(4,946)**
Valuation allowances on deferred tax assets	(1,008)	0	169	11	0	(299)	(1,127)	0
Set-off	(9,684)	9,684	0	0	0	0	(3,628)	3,628
Net deferred tax assets (liabilities)	**4,562**	**(1,002)**	**726**	**69**	**(41)**	**(797)**	**4,835**	**(1,318)**

(1) "Others" mainly comprises changes in the consolidation scope and foreign exchange rate effects.

18. Earnings per Share

	2019	2018
(Loss) Profit for the period attributable to equity owners of the parent (Net income)	€ (1,362) million	€ 3,054 million
Weighted average number of ordinary shares	777,039,858	775,167,941
Basic earnings per share	**€ (1.75)**	**€ 3.94**

Diluted earnings per share – The Company's categories of dilutive potential ordinary shares are share-settled Performance Units relating to **Long-Term Incentive Plans ("LTIP")** and the **convertible bond** issued on 1 July 2015.

As there is a loss in 2019, the effect of potentially dilutive ordinary shares is anti-dilutive.

During 2018, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 752,107 shares were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in 2018, by adding back € 7 million of interest expense to the profit for the period attributable to equity owners of the parent and by including 5,022,990 of dilutive potential ordinary shares.

As at 30 December 2019, the convertible bond has been converted into 5,020,942 newly issued shares (see "– Note 34: Total Equity").

	2019	2018
(Loss) Profit for the period attributable to equity owners of the parent (Net income) adjusted for diluted calculation	€ (1,362) million	€ 3,061 million
Weighted average number of ordinary shares (diluted) [1]	777,039,858	780,943,038
Diluted earnings per share	**€ (1.75)**	**€ 3.92**

(1) In 2018, dilution assumes conversion of all potential ordinary shares.

2.5 Operational Assets and Liabilities

19. Intangible Assets

Intangible assets comprise (i) goodwill (see "– Note 6: Scope of Consolidation"), (ii) capitalised development costs (see "– Note 2: "Significant Accounting Policies") and (iii) other intangible assets, *e.g.* internally developed software and acquired intangible assets.

Intangible assets with finite useful lives are generally amortised on a straight-line basis over their respective estimated useful lives (3 to 10 years) to their estimated residual values.

31 December 2019 and 2018 comprise the following:

	31 December 2019			31 December 2018		
(In € million)	Gross amount	Amortisation / Impairment	Net book value	Gross amount	Amortisation / Impairment	Net book value
Goodwill	14,062	(1,043)	13,019	14,077	(1,038)	13,039
Capitalised development costs	3,209	(1,749)	1,460	3,070	(1,488)	1,582
Other intangible assets	4,785	(2,673)	2,112	4,572	(2,467)	2,105
Total	**22,056**	**(5,465)**	**16,591**	**21,719**	**(4,993)**	**16,726**

Net Book Value

(In € million)	Balance at 1 January 2019	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication [(1)]	Disposals[(1)]	Amortisation / Impairment	**Balance at 31 December 2019**
Goodwill	13,039	11	0	0	4	(35)	0	13,019
Capitalised development costs	1,582	8	134	13	49	7	(333)	1,460
Other intangible assets	2,105	32	275	42	(104)	(8)	(230)	2,112
Total	**16,726**	**51**	**409**	**55**	**(51)**	**(36)**	**(563)**	**16,591**

(1) Includes intangible assets from entities disposed (see "– Note 7: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2018	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication[(1)]	Disposals[(1)]	Amortisation / Impairment	Balance at 31 December 2018
Goodwill	9,141	12	0	3,894	(4)	(3)	0	13,039
Capitalised development costs	1,763	(2)	91	0	(12)	0	(259)	1,582
Other intangible assets	725	34	233	1,377	(59)	(7)	(199)	2,105
Total	**11,629**	**44**	**324**	**5,271**	**(75)**	**(10)**	**(458)**	**16,726**

(1) Includes intangible assets from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "– Note 7: Acquisitions and Disposals").

Intangible assets decreased by € -135 million to € 16,591 million (2018: € 16,726 million). Intangible assets mainly relate to goodwill of € 13,019 million (2018: € 13,039 million). The decrease is primarily due to the disposal of PFW Aerospace GmbH (see "– Note 7: "Acquisitions and Disposals").

Capitalised Development Costs

The Company has capitalised development costs in the amount of € 1,460 million as of 31 December 2019 (€ 1,582 million as of 31 December 2018), mainly for Airbus programmes (€ 952 million).

Impairment Tests

Each year the Company assesses whether there is an indication that a non-financial asset or a Cash Generating Unit ("CGU") to which the asset belongs may be impaired. In addition, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill are tested for impairment annually, irrespective of whether there is any indication for impairment. An impairment loss is recognised in the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of impairment testing, any goodwill is allocated to the CGU or group of CGUs in a way that reflects the way goodwill is monitored for internal management purposes.

The discounted cash flow method is used to determine the recoverable amount of a CGU or the group of CGUs to which goodwill is allocated. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Discount rates are based on the weighted average cost of capital ("WACC") for the groups of cash-generating units. The discount rates are calculated based on a risk-free rate of interest and a market risk premium. In addition, the discount rates reflect the current market assessment of the risks specific to each group of CGUs by taking into account specific peer group information on beta factors, leverage and cost of debt. Consequently, slight changes to these elements can materially affect the resulting valuation and therefore the amount of a potential impairment charge.

These estimates are influenced by several assumptions including growth assumptions of CGUs, availability and composition of future defence and institutional budgets, foreign exchange fluctuations or implications arising from the volatility of capital markets. Cash flow projections take into account past experience and represent management's best estimate of future developments.

As of 31 December 2019 and 2018, goodwill was allocated to CGUs or group of CGUs and is summarised in the following schedule:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	**Consolidated Airbus**
Goodwill as of 31 December 2019	**10,733**	**129**	**2,157**	**0**	**13,019**
Goodwill as of 31 December 2018	10,759	128	2,152	0	**13,039**

The goodwill mainly relates to the creation of the Company in 2000 and the Airbus Combination in 2001.

The annual impairment tests performed in 2019 led to no impairment charge.

General Assumptions Applied in the Planning Process

The basis for determining the recoverable amount is the value in use of the CGUs. Generally, cash flow projections used for the Company's impairment testing are based on operative planning.

The operative planning, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:

- increase of expected future labour expenses of 2.0% (2018: 2.0%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2018: 1.25 US$/€) to convert in euro the portion of future US dollar which is not hedged (see "– Note 37: Information about Financial Instruments);

General economic data derived from external macroeconomic and financial studies have been used to derive the general key assumptions.

In addition to these general planning assumptions, the following additional CGU specific assumptions, which represent management's current best assessment as of the date of these Consolidated Financial Statements, have been applied in individual CGUs.

Airbus

- The planning takes into account the current production rate assumptions and provides an assessment of expected future deliveries on that basis.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on General Market Forecast updated in 2019. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- Due to the significant hedge portfolio, the carrying value and planned cash flows of the CGU Airbus are materially influenced.
- Cash flows are discounted using a euro weighted pre-tax WACC of 11.6% (2018: 10.6%).

Airbus Helicopters

- The planning takes into account the evolution of programmes based upon the current backlog and an assessment of order intake for platforms and services.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease over recent years in the civil and parapublic market partially driven by decrease of investment in oil and gas, needs of helicopter fleet renewal and growth markers and the increase of Airbus Helicopters market share in this environment. Current market evolutions are considered through sensitivities.
- Cash flows are discounted using a euro weighted pre-tax WACC of 10.7% (2018: 10.4%).

Airbus Defence and Space

- Overall the defence and space markets are expected to grow at a steady rate during the period of the operative planning horizon.
- Business growth is underpinned by growing defence opportunities boosted after finalisation of the successful portfolio re-shaping programme. Underlying performance is improved by focusing on project delivery, cost control and efficiency.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Cash flows are discounted using a euro weighted pre-tax WACC of 8.5% (2018: 9.1%).

20. Property, Plant and Equipment

Property, plant and equipment is valued at acquisition or manufacturing costs less accumulated depreciation and impairment losses. Items of property, plant and equipment are generally depreciated on a straight-line basis. The following useful lives are assumed:

Buildings	10 to 50 years
Site improvements	6 to 30 years
Technical equipment and machinery	2 to 20 years
Jigs and tools [(1)]	5 years
Other equipment, factory and office equipment	2 to 10 years

(1) If more appropriate, jigs and tools are depreciated using the number of production or similar units expected to be obtained from the tools (sum-of-the-units method).

Property, plant and equipment as of 31 December 2019 and 2018 comprises the following:

	31 December 2019			31 December 2018		
(In € million)	Gross amount	Depreciation / Impairment	Net book value	Gross amount	Depreciation / Impairment	Net book value
Land, leasehold improvements and buildings, including buildings on land owned by others	9,879	(5,056)	4,823	9,873	(4,692)	5,181
Technical equipment and machinery	23,144	(15,887)	7,257	21,994	(13,972)	8,022
Other equipment, factory and office equipment [(1)]	3,782	(2,825)	957	3,714	(2,812)	902
Construction in progress	2,714	0	2,714	2,668	0	2,668
Right-of-use assets [(2)]	1,793	(250)	1,543	-	-	-
Total	**41,312**	**(24,018)**	**17,294**	**38,249**	**(21,476)**	**16,773**

(1) Includes the net book value of aircraft under operating lease (see "– Note 27: Sales Financing Transactions").

(2) The net book value of Land and Buildings under Right-of-use assets amounts to € 1,369 million.

Net Book Value

(In € million)	Balance at 31 December 2018	IFRS 16 Impact	Balance at 1 January 2019	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication [(1)]	Disposals [(1)]	Depreciation / Impairment [(2)]	**Balance at 31 December 2019**
Land, leasehold improvements and buildings, including buildings on land owned by others	5,181	(269)	4,912	25	82	(52)	184	(8)	(320)	**4,823**
Technical equipment and machinery	8,022	(64)	7,958	71	408	(88)	935	(15)	(2,012)	**7,257**
Other equipment, factory and office equipment	902	(12)	890	7	169	(42)	170	(15)	(222)	**957**
Construction in progress	2,668	0	2,668	24	1,332	(3)	(1,315)	8	0	**2,714**
Right-of-use assets	0	1,697	1,697	6	201	(6)	(28)	(56)	(271)	**1,543**
Total	**16,773**	**1,352**	**18,125**	**133**	**2,192**	**(191)**	**(54)**	**(86)**	**(2,825)**	**17,294**

(1) Includes property, plant and equipment from entities disposed (see "– Note 7: Acquisitions and Disposals").

(2) Accelerated depreciation previously included in onerous contract provision has been offset with the release of the provision in the presentation of the Consolidated Statement of Cash Flows for the year ended 2019.

(In € million)	Balance at 1 January 2018	Exchange differences	Additions	Changes in consolidation scope	Reclassi-fication [1]	Disposals [1]	Depreciation / Impairment	Balance at 31 December 2018
Land, leasehold improvements and buildings, including buildings on land owned by others	5,091	9	84	172	166	(40)	(301)	5,181
Technical equipment and machinery	8,066	70	391	69	888	(50)	(1,412)	8,022
Other equipment, factory and office equipment	939	10	147	0	50	(15)	(229)	902
Construction in progress	2,514	(7)	1,381	11	(1,223)	(8)	0	2,668
Total	**16,610**	**82**	**2,003**	**252**	**(119)**	**(113)**	**(1,942)**	**16,773**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets and disposal groups classified as held for sale (see "– Note 7: Acquisitions and Disposals").

Property, plant and equipment increased by € +521 million to € 17,294 million (2018: € 16,773 million), mainly due to the application of IFRS 16 offset by depreciation in the period. Property, plant and equipment include right-of-use assets for an amount of € 1,543 million as of 31 December 2019.

For details on assets related to lease arrangements on sales financing, see "– Note 27: Sales Financing Transactions".

Property, Plant and Equipment by Geographical Areas

	31 December	
(In € million)	**2019**	2018
France	7,912	7,630
Germany	4,322	4,281
UK	1,991	2,144
Spain	1,405	1,500
Other countries	1,664	1,218
Total	**17,294**	**16,773**

The Company as lessee

The Company leases mainly real estate assets, cars and equipment (such as land, warehouses, storage facilities and offices).

Short-term leases and leases of low-value assets refer mainly to IT equipment (e.g. printers, laptops and mobile phones) and other equipment.

The Company incurred interest expense on lease liabilities of € 14 million. The expense in relation to short-term and low-value assets is insignificant.

There are no significant variable lease payments included in the Company's lease arrangements.

The discount rate used to determine the right-of-use asset and the lease liability for each country and leased asset is calculated based on the incremental borrowing rate at inception of the lease. The Company calculated the rate applicable to each lease contract on the basis of the lease duration.

The maturity analysis of lease liabilities, based on contractual undiscounted cash flows is shown in Note 37.1 – Financial Risk Management.

Real estate leases

The Company leases land and buildings mainly for its operational business warehouses including logistic facilities, offices, production halls and laboratories. The major leases are located in France, Germany, Spain, the US and the UK. As lease contracts are negotiated on an individual basis, lease terms contain a wide range of different terms and conditions. Leases are typically made for a fixed period of 3-25 years and may include extension, termination and other options, which provide operational flexibility to the Company.

In November 2019, additional clarifications were issued by the IFRS Interpretations Committee. Consequently, economic terms should be taken into account when determining the enforceable period of a lease. Based on its lease portfolio, the Company considers that there are no economic consequences leading to a reassessment of the previously assessed enforceable period.

Vehicle leases

The Company leases cars for management and other functions. Vehicle leases typically run for an average period of 3 years and do not provide renewal options.

Other leases

The Company also leases IT equipment, machinery and other equipment that combined are insignificant to the total leased asset portfolio.

Off-Balance Sheet Commitments

Commitments related to property, plant and equipment comprise contractual commitments for future capital expenditures and contractual commitments for purchases of “Land, leasehold improvements and buildings including buildings on land owned by others” (€ 429 million as of 31 December 2019, 2018: € 256 million).

21. Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2019**	2018
Other investments	2,516	2,267
Other long-term financial assets	1,937	1,544
Total non-current other investments and other long-term financial assets	**4,453**	**3,811**
Current portion of other long-term financial assets	**449**	**489**
Total	**4,902**	**4,300**

Other investments mainly comprise the Company’s participations. The significant participations at 31 December 2019 include the remaining investment in Dassault Aviation (9.90%, 2018: 9.89%) amounting to € 968 million (2018: € 999 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of € 2,036 million as of 31 December 2019 (2018: € 1,523 million), and the sales financing activities in the form of finance lease receivables and loans from aircraft financing.

22. Contract Assets and Contract Liabilities, Trade Receivables and Trade Liabilities

Contract assets represent the Company’s right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time (*e.g.* revenue recognised from the application of the PoC method before the Company has a right to invoice).

Contract liabilities represent the Company’s obligation to transfer goods or services to a customer for which the Company has received consideration, or for which an amount of consideration is due from the customer (*e.g.* advance payments received)

Net contract assets and contract liabilities are determined for each contract separately. For serial contracts, contract liabilities are presented in current contract liabilities, if revenues are expected within the next twelve months or material expenses for the manufacturing process have already occurred. For long-term production contracts (*e.g.* governmental contracts such as A400M, Tiger, NH90), contract liabilities are classified as current when the relating inventories or receivables are expected to be recognised within the normal operating cycle of the long-term contract.

Trade receivables arise when the Company provides goods or services directly to a customer with no intention of trading the receivable. Trade receivables include claims arising from revenue recognition that are not yet settled by the debtor. Trade receivables are initially recognised at their transaction prices and are subsequently measured at amortised cost less any allowances for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised, impaired or amortised.

Impairment and allowances of trade receivables and contract assets are measured at an amount equal to the life-time expected loss as described in “– Note 37: Information about Financial Instruments”.

Contract Assets, Contract Liabilities and Trade Receivables

Significant changes in contract assets and contract liabilities during the period are as follows:

	2019		**2018**	
(In € million)	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at 1 January	-	(37,303)	-	(23,464)
Increases due to cash received, excluding amounts recognised as revenue	-	38,312	-	23,472
Transfers from contract assets recognised at 1 January	(3,436)	-	(2,740)	-
Increase as a result of changes in the measure of progress	3,941	-	3,074	-

As of 31 December 2019, trade receivables amounting to € 203 million (2018: € 583 million) will mature after more than one year.

The respective movement in the allowance for doubtful accounts in respect of trade receivables and contract assets during the period was as follows:

(In € million)	**2019**	2018
Allowance balance at 1 January	**(269)**	**(252)**
Foreign currency translation adjustment	0	(5)
Utilisations / disposals and business combinations	39	28
Additions	(167)	(40)
Allowance balance at 31 December	**(397)**	**(269)**

Trade Liabilities

Trade liabilities of € 14,808 million (2018: € 16,237 million) decreased by € -1,429 million, mainly in Airbus.

As of 31 December 2019, trade liabilities amounting to € 107 million (2018: € 29 million) will mature after more than one year.

23. Inventories

	31 December 2019			31 December 2018		
(In € million)	Gross amount	Write-down	Net book value	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,860	(581)	3,279	3,827	(554)	3,273
Work in progress	22,553	(2,034)	20,519	23,119	(1,476)	21,643
Finished goods and parts for resale	4,729	(617)	4,112	3,949	(555)	3,394
Advance payments to suppliers	3,704	(64)	3,640	3,631	(50)	3,581
Total	**34,846**	**(3,296)**	**31,550**	**34,526**	**(2,635)**	**31,891**

Inventories of € 31,550 million (2018: € 31,891 million) decreased by € -341 million. This is driven by Airbus (€ -338 million) and Airbus Defence and Space (€ -651 million), partly offset by an increase at Airbus Helicopters (€ +578 million). In Airbus, the decrease reflects a lower work in progress associated with the widebody programmes partly compensated by a higher work in progress associated with A320 programme. In Airbus Defence and Space, the reduction is mainly driven by a decrease in work in progress for the A400M reflecting the netting inventories with the respective portion of the loss making contracts provision. In Airbus Helicopters, the increase reflects higher inventory associated with the Super Puma programme.

In 2019, write-downs of inventories in the amount of € -1,071 million (2018: € -883 million) are recognised in cost of sales, whereas reversal of write-downs amounts to € 55 million (2018: € 264 million). At 31 December 2019, € 19,448 million of work in progress and € 3,901 million of finished goods and parts for resale were carried at net realisable value.

Inventories recognised as an expense during the period amount to € 50,888 million (2018: € 44,437 million).

24. Provisions, Contingent Assets and Contingent Liabilities

Provisions — The determination of provisions, *e.g.* for onerous contracts, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, in the aerospace sector, the contractual and technical parameters considered for provision calculations are complex. Hence uncertainty exists with regard to the timing and amounts of expenses to be taken into account.

The majority of other provisions are generally expected to result in cash outflows during the next 1 to 12 years.

	31 December	
(In € million)	**2019**	2018
Provisions for pensions	8,353	7,072
Other provisions	10,561	11,816
Total	**18,914**	**18,888**
thereof non-current portion	*12,542*	*11,571*
thereof current portion	*6,372*	*7,317*

Provisions for pensions - As of 31 December 2019, the changes in actuarial assumptions resulted overall in a total net increase in pension liability of € 2,687 million, principally reflecting the weakening of interest rates in Germany, France, Canada and the UK, partly compensated by the contributions made into the various pension vehicles of € 1,758 million (see "– Note 31: Post-Employment Benefits").

The decrease in **other provisions** is mainly due to the changes in provisions for onerous contracts.

Movements in other provisions during the year were as follows:

(In € million)	Balance at 1 January 2019	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated group	Used	Released	**Balance at 31 December 2019**
Onerous contracts	5,489	48	0	1,408	(870)	(2,007)	(113)	**3,955**
Outstanding costs	1,324	2	0	412	(8)	(426)	(90)	**1,214**
Aircraft financing risks [(1)]	6	0	0	1	1	0	(3)	**5**
Obligation from services and maintenance agreements	651	0	18	28	0	(98)	(28)	**571**
Warranties	327	1	1	100	(28)	(62)	(16)	**323**
Personnel-related provisions [(2)]	920	0	4	595	(40)	(468)	(28)	**983**
Litigation and claims [(3)]	587	0	0	416	3	(50)	(45)	**911**
Asset retirement	153	1	22	29	0	0	(2)	**203**
Other risks and charges	2,359	7	0	812	(134)	(294)	(354)	**2,396**
Total	**11,816**	**59**	**45**	**3,801**	**(1,076)**	**(3,405)**	**(679)**	**10,561**

(1) See "– Note 27: Sales Financing Transactions".
(2) See "– Note 30: Personnel-Related Provisions".
(3) See "– Note 38: Litigation and Claims".

Provisions for onerous contracts in 2019 mainly include the release, utilisation and net presentation of the A380 and A220 programme losses against inventories, partly compensated by the A400M net charge recorded (see "– Note 11: "Revenue and Gross Margin").

Personnel-related provisions include restructuring provisions and other personnel charges. For more details, see "– Note 30: Personnel-Related Provisions".

Following adoption of IFRIC 23, uncertain tax liabilities formerly included under **provisions for other risks and charges** have been reclassified to current income tax liabilities (see "– Note 4: Change in Accounting Policies and Disclosures").

Contingent assets and contingent liabilities — The Company is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, the Company has subscribed a Global Aviation Insurance Programme ("GAP"). Information required under IAS 37 "Provisions, Contingent Assets and Contingent Liabilities" is not disclosed if the Company concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties.

For other contingent liabilities, see "– Note 38: Litigation and Claims" and "– Note 11: Revenue and Gross Margin" (mainly A400M programme).

Other commitments include contractual guarantees and performance bonds to certain customers as well as commitments for future capital expenditures and amounts which may be payable to commercial intermediaries if future sales materialise.

25. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

	31 December	
(In € million)	**2019**	2018
Positive fair values of derivative financial instruments [(1)]	996	1,031
Others	37	77
Total non-current other financial assets	**1,033**	**1,108**
Receivables from related companies	1,148	1,082
Positive fair values of derivative financial instruments [(1)]	444	286
Others	468	443
Total current other financial assets	**2,060**	**1,811**
Total	**3,093**	**2,919**

(1) See "– Note 37: Information about Financial Instruments".

Other Financial Liabilities

	31 December	
(In € million)	**2019**	2018
Liabilities for derivative financial instruments [(1)]	2,434	1,132
European Governments' refundable advances [(2)]	3,725	4,233
Others	1,339	2,644
Total non-current other financial liabilities	**7,498**	**8,009**
Liabilities for derivative financial instruments [(1)]	1,560	1,623
European Governments' refundable advances [(2)]	552	344
Liabilities to related companies	159	175
Others	376	320
Total current other financial liabilities	**2,647**	**2,462**
Total	**10,145**	**10,471**
thereof other financial liabilities due within 1 year	*2,647*	*2,125*

(1) See "– Note 37: Information about Financial Instruments".

(2) Refundable advances from European Governments are provided to the Company to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they are repaid to the European Governments subject to the success of the project.

The total net fair value of derivative financial instruments deteriorated by € -1,116 million to € -2,554 million (2018: € -1,438 million) as a result of the strengthening of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The allocation of European Governments' refundable advances between non-current and current presented in the IFRS Consolidated Financial Statements ended 31 December 2019 is based on the applicable contractual repayment dates. The European Governments' refundable advances decreased by € -300 million to € 4,277 million (2018: € 4,577 million), primarily related to the payments made on the A380 programme (see "– Note 11: Revenue and Gross Margin").

26. Other Assets and Other Liabilities

Other Assets

	31 December	
(In € million)	2019	2018
Cost to fulfil a contract	351	777
Prepaid expenses	86	33
Others	85	78
Total non-current other assets	**522**	**888**
Value added tax claims	1,252	3,255
Cost to fulfil a contract	626	464
Prepaid expenses	147	121
Others	398	406
Total current other assets	**2,423**	**4,246**
Total	**2,945**	**5,134**

Other Liabilities

	31 December	
(In € million)	**2019**	2018
Others	384	460
Total non-current other liabilities	**384**	**460**
Tax liabilities (excluding income tax)	614	2,706
Others	6,203	2,582
Total current other liabilities	**6,817**	**5,288**
Total	**7,201**	**5,748**
thereof other liabilities due within 1 year	*6,817*	*5,288*

27. Sales Financing Transactions

Sales financing — With a view to facilitating aircraft sales for Airbus and Airbus Helicopters, the Company may enter into either on-balance sheet or off-balance sheet sales financing transactions.

On-balance sheet transactions where the Company is lessor are classified as operating leases, finance leases and loans, inventories and to a minor extent, equity investments:

(i) Operating leases – Aircraft leased out under operating leases are included in property, plant and equipment at cost less accumulated depreciation (see "– Note 20: Property, Plant and Equipment"). Rental income from operating leases is recorded as revenue on a straight-line basis over the term of the lease.

(ii) Finance leases and loans – When, pursuant to a financing transaction, substantially all the risks and rewards of ownership of the financed aircraft reside with a third party, the transaction is characterised as either a finance lease or a loan. In such instances, revenue from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on-balance sheet) in long-term financial assets, net of any accumulated impairments.

(iii) Inventories – Second hand aircraft acquired as part of a commercial buyback transaction, returned to Airbus after a payment default or at the end of a lease agreement are classified as inventories held for resale if there is no subsequent lease agreement in force (see "– Note 23: Inventories").

Off-balance sheet commitments — Financing commitments are provided to the customer either as backstop commitments before delivery, asset value guarantees at delivery or counter guarantees:

(i) Backstop commitments are guarantees by Airbus, made when a customer-order is placed, to provide financing to the customer in the event that the customer fails to secure sufficient funding when payment becomes due under the order. Such commitments are not considered to be part of Gross Customer Financing Exposure as (i) the financing is not in place, (ii) commitments may be transferred in full or part to third parties prior to delivery, (iii) past experience suggests it is unlikely that all such proposed financings actually will be implemented and, (iv) Airbus retains the asset until the aircraft is delivered and does not incur an unusual risk in relation thereto. In order to mitigate customer credit risks for Airbus, such commitments typically contain financial conditions, such as condition precedents, which guaranteed parties must satisfy in order to benefit therefrom.

(ii) Asset value guarantees are guarantees whereby Airbus guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus considers the financial risks associated with such guarantees to be acceptable, because (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft, and (ii) the exercise dates of outstanding asset value guarantees are distributed through 2031.

As of 31 December 2019, the nominal value of asset value guarantees considered as variable considerations under IFRS 15 provided to beneficiaries amounts to € 656 million (2018: € 639 million), excluding € 9 million (2018: € 27 million) where the risk is considered to be remote. The present value of the risk inherent in asset value guarantees where a settlement is being considered probable is fully provided for and included in the total of contract liabilities for an amount of € 551 million (2018: € 511 million) (see "– Note 22: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities").

Exposure — In terms of risk management, the Company manages its gross exposure arising from its sales financing activities ("Gross Customer Financing Exposure") separately for (i) customer's credit risk and (ii) asset value risk.

Gross Customer Financing Exposure is the sum of (i) the book value of operating leases before impairment, (ii) the outstanding principal amount of finance leases or loans due before impairment, (iii) the guaranteed amounts under financial guarantees (iv) the book value of second hand aircraft for resale before impairment, and (v) the outstanding value of any other investment in sales financing structured entities before impairment. This Gross Customer Financing Exposure may differ from the value of related assets on the Company's Statement of Financial Position and related off-balance sheet contingent commitments, mainly because (i) assets are recorded in compliance with IFRS, but may relate to transactions that are financed on a limited recourse basis and (ii) the carrying amount of the assets on the Consolidated Statement of Financial Position may have been adjusted for impairment losses.

Gross Customer Financing Exposure amounts to US$ 0.9 billion (€ 0.8 billion) (2018: US$ 1.0 billion (€ 0.9 billion)).

Net exposure is the difference between Gross Customer Financing Exposure and the collateral value. Collateral value is assessed using a dynamic model based on the net present value of expected future receivables, expected proceeds from resale and potential cost of default. This valuation model yields results that are typically lower than residual value estimates by independent sources in order to allow for what management believes is its conservative assessment of market conditions and for repossession and transformation costs. The net exposure is provided for by way of impairment losses and other provisions.

Impairment losses and provisions — For the purpose of measuring an impairment loss, each transaction is tested individually. Impairment losses relating to aircraft under operating lease and second hand aircraft for resale (included in inventory) are recognised for any excess of the aircraft's carrying amount over the higher of the aircraft's value in use and its fair value less cost to sell. Finance leases and loans are measured at fair value, based on the present value of estimated future cash flows (including cash flows expected to be derived from a sale of the aircraft). Under its provisioning policy for sales financing risk, Airbus and Airbus Helicopters record provisions as liabilities for estimated risk relating to off-balance sheet commitments.

Security — Sales financing transactions, including those that are structured through structured entities, are generally collateralised by the underlying aircraft. Additionally, the Company benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

The Company endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of a structured entity. Apart from investor interest protection, interposing a structured entity offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell-downs of the aircraft financed. An aircraft financing structured entity is typically funded on a non-recourse basis by a senior lender and one or more providers of subordinated financing. When the Company acts as a lender to such structured entities, it may take the role of the senior lender or the provider of subordinated loan. The Company consolidates an aircraft financing structured entity if it is exposed to the structured entity's variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises only its loan to the structured entity under other long-term financial assets. At 31 December 2019 the carrying amount of its loans from aircraft financing amounts to € 349 million (2018: € 502 million). This amount also represents the Company's maximum exposure to loss from its interest in unconsolidated aircraft financing structured entities.

On-Balance Sheet Operating and Finance Leases

The **future minimum operating lease payments** (undiscounted) **due from customers** to be included in revenue, and the **future minimum lease payments** (undiscounted) **from investments in finance leases** to be received in settlement of the outstanding receivable at 31 December 2019 are as follows:

(In € million)	Aircraft under operating lease	Finance lease receivables (1)
Not later than 1 year	14	7
Later than 1 year and not later than 5 years	30	2
Later than 5 years	0	0
31 December 2019	**44**	**9**

Financing Liabilities

Financing liabilities from sales financing transactions are mainly based on variable interest rates (see "– Note 36.3: Financing Liabilities") and entered into on a non-recourse basis (*i.e.* in a default event, the creditor would only have recourse to the aircraft collateral).

	31 December	
(In € million)	**2019**	2018
Loans	24	22
Liabilities to financial institutions	0	0
Total sales financing liabilities	**24**	**22**

Customer Financing Cash Flows

Direct customer financing cash flows amount to € 58 million in 2019 (2018: € 79 million).

Customer Financing Exposure

The on-balance sheet assets relating to sales financing, the off-balance sheet commitments and the related financing exposure (not including asset value guarantees) as of 31 December 2019 and 2018 are as follows:

	31 December 2019			31 December 2018		
(In € million)	Airbus	Airbus Helicopters	Total	Airbus	Airbus Helicopters	Total
Operating leases (1)	154	0	154	110	32	142
Finance leases and loans	471	39	510	637	67	704
Inventories	8	0	8	22	0	22
Other investments	4	0	4	6	0	6
On-balance sheet customer financing	**637**	**39**	**676**	**775**	**99**	**874**
Off-balance sheet customer financing	95	9	104	28	10	38
Gross Customer Financing Exposure	**732**	**48**	**780**	**803**	**109**	**912**
Collateral values	(530)	(30)	(560)	(562)	(35)	(597)
Net exposure	**202**	**18**	**220**	**241**	**74**	**315**
Operating leases	(65)	(7)	(72)	(74)	(23)	(97)
Finance leases and loans	(126)	(11)	(137)	(144)	(51)	(195)
On-balance sheet commitments - inventories	(6)	0	(6)	(17)	0	(17)
Off-balance sheet commitments - provisions (2)	(5)	0	(5)	(6)	0	(6)
Asset impairments, fair value adjustments and provisions	**(202)**	**(18)**	**(220)**	**(241)**	**(74)**	**(315)**

(1) For 2019 and 2018, depreciation amounts to € 9 million and € 10 million respectively and related accumulated depreciation is € 44 million and € 55 million respectively.

(2) See "– Note 24: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

28. Number of Employees

	Airbus	Airbus Helicopters	Airbus Defence and Space	**Consolidated Airbus**
31 December 2019	80,985	20,024	33,922	**134,931**
31 December 2018	80,924	19,745	33,002	133,671

29. Personnel Expenses

(In € million)	**2019**	2018
Wages, salaries and social contributions	13,347	12,566
Net periodic pension cost [1]	626	581
Total	**13,973**	**13,147**

(1) See "– Note 31.1: Provisions for Retirement Plans"

30. Personnel-Related Provisions

Several German companies provide life-time working account models, being employee benefit plans with a promised return on contributions or notional contributions that qualify as **other long-term employee benefits** under IAS 19. The employees' periodical contributions into their life-time working accounts result in corresponding personnel expenses in that period, recognised in **other personnel charges**.

(In € million)	Balance at 1 January 2019	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2019**
Restructuring measures / pre-retirement part-time work	243	0	0	172	(32)	(97)	(20)	266
Other personnel charges	677	0	4	423	(8)	(371)	(8)	717
Total	**920**	**0**	**4**	**595**	**(40)**	**(468)**	**(28)**	**983**

An additional provision of € 103 million related to restructuring measures has been recorded at year-end 2019 following the announcement in December 2019 to the Works Council of the main features that will be carried out to increase future competitiveness.

31. Post-Employment Benefits

	31 December	
(In € million)	**2019**	2018
Provisions for retirement plans	7,286	6,474
Provisions for deferred compensation	1,067	598
Retirement plans and similar obligations	**8,353**	**7,072**

31.1 Provisions for Retirement Plans

Plans description

When the Company employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which it operates.

France — The French pension system is operated on a "pay as you go" basis. Besides the basic pension from the French social security system, each employee is entitled to receive a complementary pension from defined contribution schemes *Association pour le Régime de Retraite Complémentaire des salariés* ("ARRCO") and *Association Générale des Institutions de Retraite des Cadres* ("AGIRC"). Moreover, French law stipulates that employees are paid retirement indemnities in the form of lump sums on the basis of the length of service, which are considered as defined benefit obligations.

Germany — The Company has a pension plan (P3) for executive and non-executive employees in place. Under this plan, the employer provides contributions for the services rendered by the employees, which are dependent on their salaries in the respective service period. These contributions are converted into components which become part of the accrued pension liability at the end of the year. Total benefits are calculated as a career average over the entire period of service. Certain employees that are not covered by this plan receive retirement indemnities based on salary earned in the last year or on an average of the last three years of employment. For some executive employees, benefits are dependent on the final salary of the respective individual at the date of retirement and the time period served as an executive.

In 2018, Airbus introduced the new Airbus Pensions Plan ("APP") with security-linked benefits in Germany, which all new entrants after 1 January 2018 will join. Accordingly, the existing pension plan has been closed for new entrants. As of 1 January 2019 deferred compensation which is financed by the employees is offered exclusively in APP for all employees.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund *("Unterstützungskasse")*, the Company has implemented a Contractual Trust Arrangement. The Contractual Trust Arrangement structure is that of a bilateral trust arrangement. Assets that are transferred to the relief fund and the Contractual Trust Arrangement qualify as plan assets under IAS 19.

UK — The Company UK Pension Scheme ("the Scheme") was implemented by Airbus Defence and Space Ltd., Stevenage (UK) as the principal employer. This plan comprises all eligible employees of Airbus Defence and Space Ltd. as well as all personnel, who were recruited by one of the Company subsidiaries located in the UK and participating in the scheme. The major part of the obligation is funded by scheme assets due to contributions of the participating companies. The Scheme is a registered pension scheme under the Finance Act 2004. The trustee's only formal funding objective is the statutory funding objective under the Pensions Act part 6 2004, which is to have sufficient and appropriate assets to cover the Scheme's obligations. Since 1 November 2013, this plan is generally closed for joiners, who participate in a separate defined contribution plan.

Moreover, the Company participates in the UK in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. The Company's most significant investments in terms of employees participating in these BAE Systems UK pension plans is Airbus Operations Ltd. Participating Airbus Operations Ltd. employees have continued to remain members in the BAE Systems UK pension plans due to the UK pension agreement between the Company and BAE Systems and a change in the UK pensions legislation enacted in April 2006.

For the most significant of these BAE Systems Pension Schemes, the Main Scheme, BAE Systems, the Company and the scheme Trustees agreed on a sectionalisation, which was implemented on 1 April 2016. Although BAE Systems remains the only principal employer of the Scheme, the Company has obtained powers in relation to its section which are the same as if it were the principal employer.

Based on the funding situation of the respective pension schemes, the pension plan trustees determine the contribution rates to be paid by the participating employers to adequately fund the schemes. The different UK pension plans in which the Company investments participate are currently underfunded. Airbus Operations Ltd. (for its section of the Main Scheme) and BAE Systems (for the other schemes) have agreed with the trustees various measures designed to make good the underfunding. These include (i) regular contribution payments for active employees well above such which would prevail for funded plans and (ii) extra employers' contributions.

In the event that an employer who participates in the BAE Systems pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations.

The Company considers the likelihood of this event as remote. However, for the Main Scheme the Company considers that its obligation is in principle limited to that related to its section.

Canada — In 2018 Airbus acquired C Series Aircraft Limited Partnership ("CSALP"). CSALP sponsors defined benefit plans for its salaried, hourly and executive employees.

Actuarial risks for the Company

The Defined Benefit Obligation ("DBO") exposes the Company to actuarial risks, including the following ones:

Market price risk — The return on plan assets is assumed to be the discount rate derived from AA-rated corporate bonds. If the actual return rate of plan assets is lower than the applied discount rate, the net liability increases accordingly. Moreover, the market values of the plan assets are subject to volatility, which also impacts the net liability.

Interest rate risk — The level of the DBO is significantly impacted by the applied discount rate. The low interest rates, particular in the euro-denominated market environment, lead to a relatively high net pension liability. If the decline in returns of corporate bonds continues, the DBO will further increase in future periods, which can only be offset partially by the positive development of market values of those corporate bonds included in plan assets. Generally, the pension obligation is sensitive to movements in the interest rate leading to volatile results in the valuation.

Inflation risk — The pension liabilities can be sensitive to movements in the inflation rate, whereby a higher inflation rate could lead to an increasing liability. Since some pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations. For the deferred compensation plan P3, which is financed by the employees a fixed interest rate has been agreed.

Longevity risk — The pension liabilities are sensitive to the life expectancy of its members. Rising life expectancies lead to an increase in the valuation of the DBO.

Main average assumptions

The weighted average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December 2019 are as follows:

Pension plans in										
	Germany		France		UK		Participation in BAE Systems Pension Scheme in the UK		Canada	
(Rate in %)	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate	1.0	1.7	0.9	1.7	2.2	2.8	2.1	2.7	3.2	3.9
Rate of compensation increase	2.8	2.8	2.5	2.5	2.6	2.6	2.6	2.6	2.8	3.0
Rate of pension increase	1.4	1.6	1.7	1.7	2.8	3.0	2.8	2.9	1.8	2.0
Inflation rate	1.4	1.6	1.7	1.7	2.9	3.1	2.9	3.1	1.8	2.0

Discount rate — For Germany and France, the Company derives the discount rate used to determine the DBO from yields on high quality corporate bonds with an AA rating. The determination of the discount rate is based on the iBoxx € Corporates AA bond data and uses the granularity of single bond data in order to receive more market information from the given bond index. The discount rate for the estimated duration of the respective pension plan is then extrapolated along the yield curve. In the UK, it is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. The salary increase rates are based on long-term expectations of the respective employers, derived from the assumed inflation rate and adjusted by promotional or productivity scales.

Rate of pension increase — Rates for pension payment increases are derived from the respective inflation rate for the plan.

Inflation rates — Inflation rate for German plans corresponds to the expected increase in cost of living. In the UK, the inflation assumptions are derived by reference to the difference between the yields on index-linked and fixed-interest long-term government bonds.

Mortality tables — For the calculation of the German pension obligation, the “2018 G” mortality tables (generation tables) as developed by Professor Dr. Klaus Heubeck are applied, while the disability rates of the Heubeck Tables have been reduced to 30%, to align with actual observation.

For the UK schemes, the Self-Administered Pensions S1 mortality tables based on year of birth (as published by the Institute of Actuaries) is used in conjunction with the results of an investigation into the actual mortality experience of scheme members. In France, Institute for French Statistics (“INSEE”) tables are applied.

The development of the provision is set out below:

	DBO			Plan assets			
(In € million)	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	**Total provisions**
Balance at 1 January 2018	**11,299**	**3,571**	**14,870**	**(4,911)**	**(2,832)**	**(7,743)**	**7,127**
Service cost (including past service cost)	381	84	464	0	0	0	464
Interest cost and income	202	85	287	(97)	(68)	(165)	123
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	112	(24)	88	0	0	0	88
changes in financial assumptions	(35)	(152)	(187)	0	0	0	(187)
changes in experience adjustments	117	48	165	0	0	0	165
plan assets	0	0	0	398	105	502	502
Changes in consolidation, transfers and others	247	0	247	(209)	0	(209)	38
Benefits paid	(380)	(115)	(495)	148	115	262	(233)
Contributions by employer and other plan participants	3	5	8	(1,281)	(335)	(1,616)	(1,608)
Foreign currency translation adjustments	(14)	(27)	(40)	11	25	36	(5)
Balance at 31 December 2018	**11,932**	**3,475**	**15,407**	**(5,941)**	**(2,990)**	**(8,933)**	**6,474**

Service cost (including past service cost)	443	63	506	0	0	0	506
Interest cost and income	206	94	300	(105)	(79)	(183)	117
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	1,011	(32)	979	0	0	0	979
changes in financial assumptions	1,446	310	1,756	0	0	0	1,756
changes in experience adjustments	105	(4)	102	0	0	0	102
plan assets				(538)	(128)	(667)	(667)
Changes in consolidation, transfers and others	(88)	0	(88)	(13)	0	(13)	(101)
Benefits paid	(403)	(106)	(509)	151	106	257	(252)
Contributions by employer and other plan participants	5	2	7	(1,590)	(91)	(1,681)	(1,674)
Foreign currency translation adjustments	92	189	280	(77)	(161)	(235)	46
Balance at 31 December 2019	**14,749**	**3,991**	**18,740**	**(8,113)**	**(3,343)**	**(11,455)**	**7,286**

The funding of the plans is as follows:

	31 December			
	2019		2018	
(In € million)	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	2,530	0	2,157	0
Funded pension plans (partial)	16,210	(11,455)	13,250	(8,933)
Total	**18,740**	**(11,445)**	**15,407**	**(8,933)**

As of 31 December 2019, the change in financial assumptions mainly due to the further weakening of interest rates in Germany, France, Canada and the UK resulted in a total net increase in pension liability of € 1,756 million.

In light of the prolonged decline in interest rates and without any sign of change in this trend in a foreseeable future coupled with experience gained over recent years, management revised its demographic assumptions related to the behaviour of beneficiaries under the German pension plan. This resulted in a net increase in pension liability of € 1,793 million as of 30 June 2019, shown as part of the total changes in actuarial assumptions. These changes in accounting estimates have been recognised through other comprehensive income.

In 2019, the amount of contributions for retirement plans amount to € 1,674 million. This consists of:

- Payments made to the pension plans of the Company of € 1,585 million (2018: € 1,278 million), mainly relating to the Contractual Trust Arrangement in Germany of € 1,509 million (2018: € 1,159 million) as well as to the Company UK scheme € 59 million (2018: € 104 million).
- Payments made to the participation in BAE Systems Pension Scheme in the UK of € 89 million (2018: € 330 million).

Contributions of approximately € 1,040 million are expected to be made in 2020.

The weighted average duration of the DBO for retirement plans and deferred compensation is 18 years at 31 December 2019 (31 December 2018: 16 years).

Pension obligations by countries and type of beneficiaries

The split of the DBO for retirement plans and deferred compensation between active, deferred and pensioner members for the most significant plans is as follows:

	Active	Deferred	Pensioner
Germany	54%	8%	38%
France	99%	0%	1%
UK	67%	14%	19%
Participation in BAE System Pension Scheme (Main Scheme)	61%	16%	23%
Canada	92%	0%	8%

Pension obligations sensitivity to main assumptions

The following table shows how the present value of the DBO of retirement plans and deferred compensation would have been influenced by changes in the actuarial assumptions as set out for 31 December 2019:

	Change in actuarial assumptions	Impact on DBO	
		Change at 31 December	
		2019	2018
Present value of the obligation		21,013	17,037
Discount rate	Increase by 0.5%-point	(1,807)	(1,204)
	Decrease by 0.5%-point	2,074	1,338
Rate of compensation increase	Increase by 0.25%-point	184	136
	Decrease by 0.25%-point	(160)	(130)
Rate of pension increase	Increase by 0.25%-point	443	316
	Decrease by 0.25%-point	(425)	(302)
Life expectancy	Increase by 1 year	629	428

Sensitivities are calculated based on the same method (present value of the DBO calculated with the projected unit method) as applied when calculating the post-employment benefit obligations. The sensitivity analyses are based on a change of one assumption while holding all other assumptions constant. This is unlikely to occur in practice and changes of more than one assumption may be correlated leading to different impacts on the DBO than disclosed above. If the assumptions change at a different level, the effect on the DBO is not necessarily in a linear relation.

Plan assets allocation

The fair value of the plan assets for retirement plans and deferred compensation can be allocated to the following classes:

	2019			2018		
(In € million)	Quoted prices	Unquoted prices	Total	Quoted prices	Unquoted prices	Total
Equity securities						
Europe	1,095	0	1,095	1,061	0	1,061
Rest of the world	429	0	429	361	0	361
Emerging markets	535	0	535	359	0	359
Global	1,816	177	1,993	1,355	0	1,355
Bonds						
Corporates	1,828	242	2,070	1,570	71	1,642
Governments	2,010	0	2,010	1,451	0	1,451
Pooled investments vehicles	415	0	415	491	0	491
Commodities	0	0	0	0	98	98
Hedge funds	0	265	265	0	269	269
Derivatives	0	58	58	0	207	207
Property	0	563	563	0	494	494
Cash and money market funds	1,875	58	1,933	1,103	96	1,199
Others	0	1,296	1,296	0	976	976
Balance at 31 December	**10,003**	**2,659**	**12,662**	**7,751**	**2,211**	**9,962**

The majority of funded plans apply broadly an asset-liability matching framework. The strategic asset allocation of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2019 consists of fixed income and equity instruments, although the Company also invests in property, commodities and hedge funds. The Company reassesses the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the strategic asset allocation.

Provisions by countries

The amount recorded as provision for retirement plans can be allocated to the countries as follows:

	Pension plans of the Company					
(In € million)	Germany	France	UK	Canada	Participation in BAE Systems Pension Scheme in the UK	Total
DBO	10,813	2,017	1,492	427	3,991	18,740
Plan assets	6,497	23	1,319	273	3,343	11,455
Recognised at 31 December 2019	**4,317**	**1,994**	**173**	**154**	**648**	**7,286**
DBO	8,660	1,756	1,205	311	3,475	15,407
Plan assets	4,646	23	1,083	189	2,992	8,933
Recognised at 31 December 2018	**4,014**	**1,733**	**122**	**122**	**483**	**6,474**

Contributions to defined contribution plans

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2019 amounted to € 853 million (2018: € 811 million).

31.2 Provisions for Deferred Compensation

This amount represents obligations that arise if employees elect to convert part of their remuneration or bonus into an equivalent commitment for deferred compensation which is treated as a defined benefit post-employment plan. The development for the DBO and plan assets is as follows:

	2019			2018		
(In € million)	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at 1 January	**1,630**	**(1,032)**	**598**	**1,362**	**(150)**	**1,212**
Service cost (including past service cost)	0	0	0	118	0	118
Interest cost	25	0	25	23	0	23
Interest income	0	(15)	(15)	0	(6)	(6)
Remeasurement: actuarial (gains) and losses arising from						
changes in demographic assumptions	254	0	254	(2)	0	(2)
changes in financial assumptions	322	0	322	8	0	8
changes in experience adjustments	22	0	22	33	0	33
plan assets	0	(77)	(77)	0	44	44
Changes in consolidation, transfers and others	(44)	0	(44)	(20)	1	(19)
Benefits paid	(13)	0	(13)	(11)	0	(11)
Contributions	80	(84)	(4)	119	(921)	(802)
Balance at 31 December	**2,275**	**(1,208)**	**1,067**	**1,630**	**(1,032)**	**598**

The funding of the plans is as follows:

	31 December	
(In € million)	**2019**	2018
Provisions	1,067	598
Non-current and current other assets	0	0
Total	**1,067**	**598**

In the trust arrangements between the trust and the participating companies a minimum funding requirement is stipulated for the portion of the obligation, which is not protected by the pension guarantee association or Pensions-Sicherungs Verein in case of an insolvency of the subsidiaries concerned. Some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115%.

32. Share-based Payment

Share-based compensation — Until 2015, the Company operated a ***Performance and Restricted Unit Plan*** or ***LTIP*** which qualifies as a ***cash-settled share-based payment plan*** under IFRS 2 “Share-based Payment”. The grant of the units will not physically be settled in shares (except with regard to the Company Executive Committee Members). For details of the conversion of some Performance Units granted to Executive Committee Members into equity-settled plans see “– Note 33.1: Remuneration-Executive Committee”.

Since 2016, the Company operates a ***Performance Units and Performance Share Plan***, which is granted in units as well as in shares.

For plans settled in cash, provisions for associated services received are measured at fair value by multiplying the number of units expected to vest with the fair value of one LTIP unit at the end of each reporting period, taking into account the extent to which the employees have rendered service to date. The fair value of each LTIP unit is determined using a forward pricing model. Changes of the fair value are recognised as personnel expenses of the period, leading to a remeasurement of the provision.

Since 2018, the Company operates also exceptional grants of Performance and Restricted Units as well as Performance and Restricted Shares under an Equity Pool. Such exceptional grants are validated by specific resolutions from the Board of Directors. Accounting principles and methodology are the ones applied for LTIP as described above.

Besides the equity-settled parts from LTIP 2016 onwards, the **Employee Share Ownership Plan (“ESOP”)** is an additional equity-settled share-based payment plan. Under this plan, the Company offers its employees Airbus SE shares at fair value matched with a number of free shares based on a determining ratio. The fair value of shares provided is reflected as personnel expenses in the Company’s Consolidated Income Statement with a corresponding increase in equity.

32.1 LTIP

In the years 2014 and 2015, the Board of Directors of the Company approved the granting of LTIP Performance and Restricted Units. Since 2016, it has approved a LTIP Performance Units and Performance Share Plan.

Additionally, since 2019 it has approved exceptional grants under an Equity Pool as described above.

The Company hedges the share price risk inherent in the cash-settled LTIP units by entering into equity swaps where the reference price is based on the Airbus SE share price. To the extent that cash-settled LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps. In order to avoid any dilution of its current shareholders out of equity-settled LTIP units, the Company performs share buybacks to meet its obligations to its employees, following the decisions of the Board of Directors and approval of the AGM.

In 2019, compensation expense for LTIPs (incl. Equity Pool) including the effect of the equity swaps amounted to € 104 million (2018: € 69 million).

As of 31 December 2019, provisions of € 144 million (2018: € 140 million) relating to LTIP have been recognised.

The lifetime of the Performance and Restricted Units as well as Performance Shares is contractually fixed (see the description of the respective tranche in the following table). For the units, the measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€ 130.48 as of 31 December 2019) and the lifetime of the units.

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2019):

Expected vesting date *(In € per unit / share granted)*	Fair value of Performance Units and Shares
May 2023 - Performance Shares	112.92
May 2023 - Performance Units	112.83
May 2024 - Performance Units	108.44

The principal characteristics of the LTIPs as at 31 December 2019 are summarised below:

	LTIP 2014 [6]		LTIP 2015 [7]		LTIP 2016 [8]		LTIP 2017		LTIP 2018		LTIP 2019	
Grant date [1]	13 November 2014		29 October 2015		25 October 2016		30 October 2017		30 October 2018		29 October 2019	
	Performance and Restricted Unit Plan				Performance Plan							
Units	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares	Units	Shares	Units	Shares
Number of units granted [2]	1,114,962	291,420	926,398	240,972	615,792	621,198	421,638	425,702	278,376	281,181	247,508	247,508
Number of units/shares granted through Equity Pool [3]					1,762	1,762	1,898	1,898	6,664	6,664		
Number of units outstanding [4]	0	0	340,239	113,086	432,617	436,694	402,925	406,989	281,306	284,111	247,508	247,508
Total number of eligible beneficiaries	1,621		1,564		1,671		1,601		1,626		1,576	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by a company of the Group at the respective vesting dates. Performance Units and Shares will vest upon achievement of mid-term business performance. Vesting schedule is made up of two payments over two years.											
Share price per unit limited at vesting dates to [5]	€ 94.90		€ 112.62		€ 105.34	-	€ 147.62	-	€ 213.88	-	€ 244.12	-
Vesting dates	50 % in June 2018 50% in June 2019		50% in June 2019 50% expected in July 2020		50% each expected: in May 2020 in May 2021	100% expected: in May 2020	50% each expected: in May 2021 in May 2022	100% expected in May 2021	50% each expected: in May 2022 in May 2023	100% expected in May 2022	50% each expected: in May 2023 in May 2024	100% expected in May 2023
Number of vested units	814,238	271,275	311,473	113,711	654	654	94	94	0	0	0	0

(1) Date, when the vesting conditions were determined.

(2) 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 the Company) 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).

(3) Mirroring the respective plan rules and regulations, but granted at a different date based on specific Board of Directors' resolutions.

(4) Including shares granted through the Equity Pool, if applicable.

(5) Corresponds to 200% of the respective reference share price. Overall, the pay-out for Performance Units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of € 47.45 (for LTIP 2014), € 56.31 (for LTIP 2015), € 52.67 (for LTIP 2016),€ 73.81 (for LTIP 2017),€ 106.94 (for LTIP 2018) and € 122,06 (for LTIP 2019).

(6) Based on performance achievement of 80% for Performance Units under LTIP 2014.

(7) Based on performance achievement of 75% for Performance Units under LTIP 2015.

(8) Based on performance achievement of 75% for Performance Units under LTIP 2016.

Additionally, the Board of Directors approved in 2019 the exceptional grant of 17,853 Restricted & Performance Units and 11,188 Restricted & Performance Shares under the Equity Pool with an average fair value of € 111.35. 9,357 Units and 2,692 Shares have vested in 2019. As of 31 December 2019, the number of units outstanding is 8,496 Units and 8,496 Shares.

32.2 ESOP

In 2019 and 2018, 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 (5, 15, 30, 50 or 100 shares). The Company matched each fixed number of shares with a number of the Company free shares based on a determined ratio (4, 7, 10, 13 and 25 free shares, respectively). During a custody period of at least one year, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Airbus SE 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 13 February 2019 (2018: 14 February 2018) and amounted to € 104.38 (2017: € 84.17). Investing through a mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 13 February 2019 (2018: 14 February 2018), resulting in a price of € 97.76 (2018: € 88.65).

In 2019, the Company issued and sold 1,332,840 ordinary shares (2018: 1,365,760) with a nominal value of € 1.00 each.

In 2019, the Company issued and distributed 451,452 matching ordinary shares (2018: 446,059) with a nominal value of € 1.00 each. Compensation expense (excluding social security contributions) of € 47 million (2018: € 38 million) was recognised in connection with ESOP.

33. Remuneration

33.1 Remuneration – Executive Committee

The Company's key management personnel consists of Members of the Executive Committee and Non-Executive Board Members. The Chief Executive Officer ("CEO"), who chairs the Executive Committee, is the sole Executive Board Member. The annual remuneration and related compensation costs of the key management personnel as expensed in the respective year can be summarised as follows:

(In € million)	**2019**	2018
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	16.5	18.7
Post-employment benefit costs	1.1	4.7
Share-based remuneration ("LTIP award", including associated hedge result)	10.5	5.3
Termination benefits [(1)]	(0.4)	8.6
Other benefits	0.4	0.5
Social charges [(2)]	4.5	8.7
Non-Executive Board Members		
Short-term benefits (including social charges)	2.4	2
Total expense recognised	**35.0**	**48.5**

(1) 2019 Termination benefits include the adjustment of the estimated amount accounted for in 2018 based on last information available and applicable law.

(2) Costs of benefits provided through applicable mandatory collective and social security plans are accounted for among social charges.

Salaries and Other Short-Term Benefits (Including Bonuses)

The amount of bonuses is based on estimated performance achievement as at the balance sheet date and difference between previous year estimation and actual pay-out in the current year. Outstanding short-term benefits (bonuses) at year-end 2019 for Executive Committee Members based on estimated performance achievement at year-end was € 7.5 million (2018: € 9.3 million).

Post-Employment and Other Long-Term Benefits

The post-employment and other long-term benefits defined obligation for the Executive Committee, including the CEO, amounted to € 29.8 million at 31 December 2019 (2018: € 61.6 million). The disclosed post-employment and other long-term benefits reflect the total outstanding balance for all Executive Committee Members in charge at the end of the respective balance sheet date.

In 2019, the defined benefit plan in France has been frozen, leading to a remeasurement of past service cost recognized as a profit in the Profit & Loss which mainly explains the decrease in the Post-employment benefits costs between 2018 (€ 4.7 million) and 2019 (€ 1.1 million).

Share-Based Remuneration ("LTIP Award")

The share-based payment expenses result from not yet forfeited units granted to the Executive Committee Members under the Company's LTIP which are remeasured to fair value as far as they are cash-settled.

In 2019, the Members of the Executive Committee were granted 30,168 Performance Units (2018: 18,554) and 30,168 Performance Shares (2018: 21,359) for LTIP 2019, the respective fair value of these Performance Units and Shares at the respective grant dates was € 7.7 million (2018: € 3.8 million). As of 31 December 2019, provisions of € 15.4 million (2018: € 9.4 million) relating to LTIP have been recognised. The total number of outstanding Performance and Restricted Units amounted to 134,398 at 31 December 2019 (2018: 189,260), granted to the current Members of the Executive Committee.

Until and including the plan 2015, based on the intention of the Board of Directors to increase the long-term commitment of Executive Committee Members to the success of the Company, the Board has authorised the Executive Committee Members to opt for partial conversion of the otherwise cash-settled LTIPs into share-settled plans at each grant date of any new LTIP, requiring a minimum conversion rate into equity settlement of 25% of total granted Performance Units. At the conversion date, each Executive Committee Member individually determined the split of equity and cash settlement for the formerly granted LTIP. After overall performance assessment of each of the plans, the vesting dates as determined at the initial grant date apply to all cash-settled Performance Units. However, units converted into equity settlement only vest at the last of the vesting dates of the respective plan.

Performance Units granted to Executive Committee Members until 31 December 2015 are summarised below:

	LTIP 2014	**LTIP 2015**
Total number of units granted	159,448	189,476
Number of cash-settled units	117,816	143,217
Number of equity-settled units	41,632	46,259
Date of conversion	28 February 2015	28 February 2016
Share price at date of conversion	€ 55.33	€ 59.78

Termination Benefits

The following benefits apply to Executive Committee Members, except the CEO.

In the case of contract termination, the Executive Committee Members are 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 Executive Committee mandate is terminated for cause, in case of dismissal, if the Executive Committee Member resigns or has reached retirement age.

The Executive Committee Members' 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 waive or invoke the extension of the non-compete clause when legally or contractually possible. 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 Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements, if any.

Past LTIP awards may be maintained in full or prorated, in such cases as in case of retirement or if a mandate is not renewed by the Company without cause, prorata being based on the presence in the Company during performance periods. 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.

The termination benefits include assumptions about all effective, known or planned terminations to date.

Other Benefits

Other benefits include expenses for Executive Committee Members' medical, death and disability coverage, company car and other usual facilities as applicable.

33.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2019 and 2018, consists in the aggregation of (i) the remuneration of the former CEO in 2018 and up to 10 April 2019, date of the 2019 Annual General Meeting, and (ii) the remuneration of the current CEO between the 10 April 2019 and the end of 2019.

It can be summarised as follows:

(In €)	**2019**	2018
Base salary (1)	1,392,045	1,500,000
Annual variable pay	1,436,250	2,167,500
Post-employment benefit costs	(2,694,448)	1,136,706
Share-based remuneration ("LTIP award") (2)	1,627,061	1,203,767
Termination benefits	0	302,256
Other benefits	54,423	61,144
Social charges (3)	797,766	12,205

(1) For 2019, the base salary is composed of the prorated base salary paid to the former CEO (€ 420,455) and to the current CEO (€ 971,591).

(2) Expense related to share-based payment plans as recognised in the annual period (service period) including the result from the hedge of cash-settled share-based payment (see "– Note 32: Share-Based Payment").

(3) Social charges depends on the applicable regulation to the CEO. In France, social charges comprise benefits accrued through mandatory collective and state plans such as pension, death and disability or medical coverage.

The following comments relate only to the current CEO. Because his mandate started on 10 April 2019, no comparison with previous year is relevant.

Annual Variable Pay

The annual variable pay is based on estimated performance achievement as at the balance sheet date and difference between the previous year's estimation and actual pay-out in the current year.

Post-Employment Benefit Costs

Post-employment benefit costs relate to the aggregated amount of current service and interest costs for defined benefit plan and company cost for contributions base plans.

Following the Board decision to move from defined benefit commitment to contributions based plans and in line with a new French regulation, the CEO pension rights will be accrued through a defined contributions plan from 1 January 2020, which will coexist with the former defined benefit pension plan.

Until the end of 2019, the retirement benefit of the CEO accrued through a defined benefit commitment. It consisted in granting a pension at retirement age equal to a percentage of the Base Salary depending on length in service in the Executive Committee, including mandatory applicable collective and state pension plans. The accrued pension rights under this commitment have been frozen at the end of 2019: the target percentage has therefore been fixed and will no longer accrue. The frozen pension rights remain unvested until the retirement date of the CEO. The pension rights arising from the Company's defined contribution plan are deducted from the frozen defined pension rights.

As of 31 December 2019, the defined benefit obligation related to the frozen defined benefit commitment amounts to € 9,167,371. This obligation has been accrued in the 2019 Consolidated Financial Statements and will be updated annually up to the retirement date of the CEO considering additional service cost and future changes on economic assumptions or other factors like salary increase.

For the fiscal year 2019, the cost related to the CEO’s pension rights accrued under Company’s plans during the year represented a net profit of € 2,814,868 composed by an expense of € 812,005 and the effect of the freeze of the defined benefit commitment leading to a release of provision of € 3,626,873.

The annual cost of pension rights accrued under applicable mandatory collective and state pension plans are accounted for among social charges.

Share-Based Remuneration

The table below gives an overview of the interests of the CEO, under the various LTIPs of the Company:

Granted Date	LTIP 2014 (1)	LTIP 2015 (1)	LTIP 2016 (1)	LTIP 2017 (1)	LTIP 2018 (1)	LTIP 2019
Performance Units and Shares	12,640	10,656	11,392	8,808	8,416	11,060
Revaluation	80%	75%	75%	100%	100%	100%
Performance Units and Shares revalued	10,112	7,992	8,544	8,808	8,416	11,060
Vested in 2019						
in cash	7,584	2,997	0	0	0	0
in shares	2,528	0	0	0	0	0
Outstanding 2019						
in cash	0	2,997	4,272	4,404	4,208	5,530
in shares	0	1,998	4,272	4,404	4,208	5,530
Vesting schedule						
Cash-settled units	For vesting dates, see "- Note 32.1: LTIP"					
Equity-settled units	June 2019	June 2020	May 2020	May 2021	May 2022	May 2023

(1) 2014 to 2018 awards were granted before the appointment of the CEO and could vest during the CEO’s mandate.

Vesting of all Performance Units and Performance Shares granted to the CEO is subject to performance conditions.

As of 31 December 2019, provisions of € 1,896,787 relating to LTIP have been recognised. The pay-out from vested cash-settled LTIP in 2019 was € 697,383 (excl. social charges).

Termination Benefits

The termination benefit applicable to the CEO is described in the Company’s Remuneration policy.

Other Benefits

As stipulated in the Company’s Remuneration Policy, the benefits offered to the CEO are similar to the benefits granted to other executives of the Company and comprise, among other matters, medical, death and disability coverage (both through the French social security system and mandatory collective Company’s plans), a company car and usual facilities. Costs of benefits provided through applicable mandatory collective and social security plans are accounted for among social charges. The monetary value of other benefits provided to the CEO in 2019 amounted to € 33,802.

The Company has not provided any loans to, advances to and guarantees on behalf of the CEO.

33.3 Remuneration – Board of Directors

The remuneration of the Non-Executive Members of the Board of Directors was as follows:

(In €)	2019 Fixum (1)	2019 Attendance Fees (2)	2019 Total	2018 Fixum (1)	2018 Attendance Fees (2)	2018 Total
Non-Executive Board Members						
Denis Ranque	210,000	101,000	311,000	210,000	75,000	285,000
Victor Chu (3)	100,000	107,000	207,000	72,376	50,000	122,376
Jean-Pierre Clamadieu (4)	114,176	105,000	219,176	72,376	50,000	122,376
Ralph D. Crosby Jr.	100,000	108,500	208,500	100,000	75,000	175,000
Lord Drayson (5)	120,000	105,000	225,000	114,475	55,000	169,475
Catherine Guillouard (6)	127,265	95,500	222,765	120,000	75,000	195,000
Hermann-Josef Lamberti	122,735	77,500	200,235	130,000	65,000	195,000
María Amparo Moraleda Martínez	130,000	105,000	235,000	127,238	65,000	192,238
Claudia Nemat	100,000	74,500	174,500	100,000	75,000	175,000
René Obermann (7)	100,000	102,000	202,000	72,376	55,000	127,376
Carlos Tavares	80,000	65,000	145,000	80,000	50,000	130,000
Former Non-Executive Board Members						
Hans-Peter Keitel (8)	0	0	0	27,900	10,000	37,900
Sir John Parker (8)	0	0	0	36,270	10,000	46,270
Jean-Claude Trichet (8)	0	0	0	27,900	10,000	37,900
Total	**1,304,176**	**1,046,000**	**2,350,176**	**1,290,910**	**720,000**	**2,010,910**

(1) Fixum includes a base fee for Board membership and Committee membership within the Audit Committee, the Remuneration, Nomination and Governance Committee ("RNGC") and/or the Ethics & Compliance Commitee ("E&C") as the case may be. The fixum for the year 2019 was paid 50% in July 2019 and 50% in January 2020. The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018.

(2) 2019 attendance fees include the board attendance fees and the ones in relation to Audit Committee, RNGC and E&C Committee meetings. The Board attendance fees related to the first semester 2019 were paid in July 2019, those related to the second semester 2019 were paid in January 2020. The Committee attendance fees related to full year 2019 were paid in January 2020.

(3) Member of the Board of Directors and the Audit Committee since 11 April 2018.

(4) Member of the Company Board of Directors and the RNGC since 11 April 2018. Member of the E&C Committee since 10 April 2019.

(5) Member of the E&C Committee since 11 April 2018.

(6) Chair of the Audit Committee since 10 April 2019.

(7) Member of the Board of Directors and the Audit Committee since 11 April 2018. Member of the E&C Committee since 30 July 2019.

(8) Member of the Company Board of Directors until 11 April 2018.

2.7 Capital Structure and Financial Instruments

34. Total Equity

34.1 Equity Attributable to Equity Owners of the Parent

The Company's shares are exclusively ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares issued and fully paid:

(In number of shares)	**2019**	2018
Issued as at 1 January	**776,367,881**	**774,556,062**
Issued for ESOP	1,784,292	1,811,819
Issued for convertible bond	5,020,942	-
Issued at 31 December	**783,173,115**	**776,367,881**
Treasury shares	(862,610)	(636,924)
Outstanding at 31 December	**782,310,505**	**775,730,957**

Holders of ordinary shares are entitled to dividends and to one vote per share at general meetings of the Company.

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 5,975 million (2018: € 9,724 million) representing a decrease of € -3,749 million. This is due to a net loss for the period of € -1,362 million and a decrease in other comprehensive income, principally related to a change in actuarial gains and losses of € -2,345 million and the mark to market revaluation of the hedge portfolio of € -1,048 million, a dividend payment of € -1,280 million (€ 1.65 per share), partly compensated by the decrease of € 1,318 million in the valuation of the puttable liability relating to ACLP (see "– Note 37.2: "Carrying Amounts and Fair Values of Financial Instruments").

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of €1,784,292 (2018: € 1,811,819) in compliance with the implemented ESOPs and the conversion of € 5,020,942 in relation to the convertible bond issued in July 2015 redeemable in shares.

Share premium mainly results from contributions in kind in the course of the creation of the Company, cash contributions from the Company's initial public offering, capital increases and reductions due to the issuance and cancellation of shares.

Retained earnings include mainly the loss for the period and the changes in other comprehensive income from remeasurements of the defined benefit pension plans net of tax which amounts to € -2,345 million in 2019 (2018: € -569 million), and cash dividend payments to Airbus SE shareholders.

On 10 April 2019, the AGM decided to distribute a gross amount of € 1.65 per share, which was paid on 17 April 2019. For the fiscal year 2019, the Company's Board of Directors proposes a cash distribution payment of € 1.80 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2019, the number of treasury stock held by the Company increased to 862,610 compared to 636,924 as of 31 December 2018. No shares were sold back to the market nor cancelled (2018: 0 shares).

On 10 April 2019, the AGM of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2020, to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of:

- ESOPs and share-related LTIPs, provided that such powers shall be limited to an aggregate of 0.14% of the Company's authorised share capital (see "– Note 32: Share‑Based Payment");
- funding the Company and its subsidiaries, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "– Note 36.3: Financing Liabilities").

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 10 April 2019, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued share capital 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.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, to establish the exact number of the relevant shares to be cancelled.

34.2 Non-Controlling Interests

The **non-controlling interests ("NCI")** from non-wholly owned subsidiaries increased to € 15 million as of 31 December 2019 (2018: € -5 million). These NCI do not have a material interest in the Company's activities and cash flows.

35. Capital Management

The Company seeks to maintain a strong financial profile to safeguard its going concern, financial flexibility as well as shareholders', credit investors' and other stakeholders' confidence in the Company. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of the Company's objectives to maintain a strong credit rating by institutional rating agencies. This enables the Company to contain its cost of capital which positively impacts its stakeholder value (entity value). Next to other non-financial parameters, the credit rating is based on factors such as cash flow ratios, profitability and liquidity ratios. The Company monitors these ratios to keep them in a range compatible with a strong rating.

Rating Agency	Long-term rating	Outlook	Short-term rating
Standard and Poor's	A+	Stable	A-1+
Moody's Investors Services	A2	Stable	P-1
Fitch Rating (unsolicited)	A-	Positive	F-1

The Company's stand-alone ratings reflect the strong backlog providing revenue visibility and the Company's leading market position, the Company's strong liquidity and improving credit metrics as well as management's focus on programmes execution, profitability and cash generation improvement. The rating is constrained by the Company's exposure to structural currency risk.

In accordance with the Company's conservative financial policy, a strong rating is key to maintain a wide array of funding sources at attractive conditions, to have broad access to long-term hedging and to strengthen the Company's position as a solid counterparty for its customers and suppliers.

Among other indicators, the Company uses a Value Based Management approach in order to guide the Company towards sustainable value creation by generating financial returns above the cost of capital.

The key elements of the Value Based Management concept are:

- the definition of financial returns;
- the definition of the Company's capital base; and
- the measurement of value creation derived from the two above.

The Company uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Company, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for the Company is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus Operating Cash less Other Provisions.

Financial value is created if profits relative to the Company's Capital Employed exceed the Company's cost of capital. Value can be measured by comparing RoCE to the WACC. A three year plan for a value creation ambition is constructed annually, and is composed of (i) RoCE, (ii) EBIT, and (iii) Free Cash Flow, which is defined as Cash provided by operating activities and Cash used for investing activities less Change of securities, Contribution to plan assets for pensions, realised Treasury swaps and bank activities.

The Company also monitors the level of dividends paid to its shareholders.

The Company generally satisfies its obligations arising from **ESOPs** by issuing new shares. In order to avoid any dilution of its current shareholders out of **LTIPs**, the Company performs share buybacks to meet its obligations to its employees, following the decisions of the Board of Directors and approval of the AGM. Apart from this purpose, the Company generally does not trade with treasury shares.

The Company complies with the capital requirements under applicable law and its Articles of Association.

36. Net Cash

The net cash position provides financial flexibility to fund the Company's operations, to react to business needs and risk profile and to return capital to the shareholders.

	31 December	
(In € million)	**2019**	2018
Cash and cash equivalents	9,314	9,413
Current securities	2,302	2,132
Non-current securities	11,066	10,662
Gross cash position	**22,682**	**22,207**
Short-term financing liabilities	(1,959)	(1,463)
Long-term financing liabilities	(8,189)	(7,463)
Total	**12,534**	**13,281**

The **net cash** position on 31 December 2019 amounted to € 12,534 million (2018: € 13,281 million), with a gross cash position of € 22,682 million (2018: € 22,207 million).

Derivative instruments recognised on the Company's Statement of Financial Position consist of (i) instruments that are entered into as hedges of the Company's operating activities or interest result, and (ii) embedded foreign currency derivatives that arise from separating the foreign currency component from certain operating contracts. Cash flows resulting from the settlement of these derivatives are therefore recorded as part of cash flow from operations. Similarly, financial assets and liabilities arising from customer financing activities and refundable advances from European Governments are considered part of operating activities and related cash flows are hence recognised as cash flows from operating activities.

36.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2019**	2018
Bank account and petty cash	1,649	1,862
Short-term securities (at fair value through profit and loss)	7,014	6,576
Short-term securities (at fair value through OCI)	652	984
Others	(1)	6
Total cash and cash equivalents	**9,314**	**9,428**
Recognised in disposal groups classified as held for sale	0	15
Recognised in cash and cash equivalents	**9,314**	**9,413**

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, are recognised in cash equivalents.

36.2 Securities

The majority of the Company's securities consists of debt securities and are classified at fair value through OCI (see "– Note 37.2: Carrying Amounts and Fair Values of Financial Instruments").

The Company's securities portfolio amounts to € 13,368 million and € 12,794 million as of 31 December 2019 and 2018, respectively. The security portfolio contains a non-current portion of € 11,066 million (2018: € 10,662 million), and a current portion of € 2,302 million (2018: € 2,132 million).

Included in the securities portfolio as of 31 December 2019 and 2018, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,908 million nominal value; 2018: € 12,152 million) or floating rate coupons (€ 188 million nominal value; 2018: € 504 million), foreign currency funds of hedge funds (€ 0 million nominal value; 2018: € 0 million) and foreign currency funds of fixed income funds (€ 5 million fair value; 2018: € 10 million).

When the Company enters into securities lending or other financing activities that involve the pledging of securities as collateral, the securities pledged continue to be recognised on the balance sheet. As of 31 December 2019, securities for an amount of € 145 million were pledged as collateral for borrowings from banks (2018: € 63 million).

36.3 Financing Liabilities

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, deposits made by customers of Airbus Bank, borrowings received from joint ventures and other parties as well as finance lease liabilities. Financing liabilities are recorded initially at the fair value of the proceeds received, net of transaction costs incurred. Subsequently, financing liabilities are measured at amortised cost, using the effective interest rate method with any difference between proceeds (net of transaction costs) and redemption amount being recognised in total finance income (cost) over the period of the financing liability.

Financing liabilities to financial institutions may include liabilities from securities lending transactions. In securities lending transactions, the Company receives cash from its counterparty and transfers the securities subject to the lending transaction as collateral. The counterparty typically has the right to sell or repledge the securities pledged. The amount of cash received is recognised as a financing liability. The securities pledged are not derecognised, but remain on the Company's Statement of Financial Position.

	31 December	
(In € million)	**2019**	2018
Bonds and commercial papers	6,491	6,659
Liabilities to financial institutions	244	267
Loans	156	229
Lease liabilities	1,298	307
Others (1)	0	1
Total long term financing liabilities	**8,189**	**7,463**
Liabilities to financial institutions	106	86
Loans	127	70
Lease liabilities	262	23
Others (1)	1,464	1,284
Total short term financing liabilities	**1,959**	**1,463**
Total	**10,148**	**8,926**

(1) Included in "others" are financing liabilities to joint ventures.

Long-term financing liabilities, mostly comprising bonds and lease liabilities, increased by € +726 million to € 8,189 million (2018: € 7,463 million), mainly due to the application of IFRS 16 (see "– Note 2: Accounting Policies"). It was partly offset by the conversion of the convertible bond issued in 1 July 2015 for an amount of € 500 million. The conversion price was € 99.54 per ordinary share.

Short-term financing liabilities increased by € +496 million to € 1,959 million (2018: € 1,463 million). The increase in short-term financing liabilities is mainly related to the application of IFRS 16.

The Company has issued several euro-denominated **bonds** under its EMTN programme and three stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. It has also issued a euro-denominated exchangeable bonds into Dassault Aviation shares. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the Development Bank of Japan ("DBJ").

The Company can issue **commercial paper** under the so-called "*billet de trésorerie*" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of € 2 billion, increased in 2013 to a maximum volume of € 3 billion. The Company established in April 2015 a US$2 billion commercial paper programme which has been increased to US$3 billion in April 2016. As of 31 December 2019, there were no outstanding amounts under this US commercial paper. The commercial paper issuance activity was limited during the course of 2019.

The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount *(In million)*	Carrying amount *(In € million)* 31 December 2019	2018	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
US$ Bond 10 years	US$ 1,000	896	848	Apr 2013	2.70%	2.73%	Apr 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€ 1,000	1,049	1,038	Apr 2014	2.375%	2.394%	Apr 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€ 500	555	523	Oct 2014	2.125%	2.194%	Oct 2029	Interest rate swapped into 3M Euribor +0.84%
EMTN 10 years	€ 600	617	594	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€ 900	940	865	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Convertible bond 7 years	€ 500	0	477	Jul 2015	0.00%	1.386%	Jul 2022	Convertible into Airbus SE shares at € 99.54 per share issued at 102%
Exchangeable bonds 5 years	€ 1,078	1,068	1,061	Jun 2016	0.00%	0.333%	Jun 2021	Exchangeable into Dassault Aviation shares issued at 103.75%
US$ Bond 10 years	US$ 750	687	632	Apr 2017	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US$ Bond 30 years	US$ 750	680	621	Apr 2017	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Bonds		**6,491**	**6,659**					
DBJ 10 years	US$ 300	89	87	Jan 2011	3M US-Libor +1.15%		Jan 2021	Interest rate swapped into 4.76% fixed
Others		261	266					
Liabilities to financial institutions		**350**	**353**					

Reconciliation of liabilities arising from financing liabilities:

(In € million)	Balance at 31 December 2018	IFRS 16 Impact	Balance at 1 January 2019	Cash flows	Non-cash movements: Changes in scope	Foreign exchange movements	Others [(1)]	**Balance at 31 December 2019**
Bonds and commercial papers	6,659	0	6,659	(168)	0	0	0	6,491
Liabilities to financial institutions	353	0	353	0	0	(3)	0	350
Loans	299	0	299	106	(60)	(62)	0	283
Finance lease liabilities	330	1,352	1,682	(294)	0	182	0	1,560
Others	1,285	0	1,285	196	0	(17)	0	1,464
Total	**8,926**	**1,352**	**10,278**	**(160)**	**(60)**	**102**	0	**10,150**

(1) Included in “other assets and liabilities and others” in the Statements of Cash Flows.

37. Information about Financial Instruments

37.1 Financial Risk Management

By the nature of its activities, the Company is exposed to a variety of financial risks: (i) market risks, in particular foreign exchange risk, but also interest rate risk, equity price risk and commodity price risk, (ii) liquidity risk and (iii) credit risk. The Company's overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on the Company's operational and financial performance.

The financial risk management of the Company is generally carried out by the Treasury department of the Company under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the joint responsibility of several established specific committees such as the Foreign Exchange Committee and the Asset Liability Management Committee, including the Company business segments.

The Company uses financial derivatives solely for risk mitigating purposes ("hedging") and applies hedge accounting for a significant portion of its hedging portfolio.

Market Risk

Foreign exchange risk — Foreign exchange risk arises when future commercial transactions or firm commitments, recognised monetary assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

The Company manages a long-term hedge portfolio with maturities of several years covering its net exposure to US dollar sales, mainly from the commercial activities of Airbus. This hedge portfolio covers a large portion of the Company's firm commitments and highly probable forecasted transactions.

Most of the Company's revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to a lesser extent in other foreign currencies. Consequently, to the extent that the Company does not use financial instruments to hedge its exposure resulting from this currency mismatch, its profits will be affected by changes in the €/US$ exchange rate. As the Company intends to generate profits primarily from its operations rather than through speculation on exchange rate movements, it uses hedging strategies to manage and minimise the impact of exchange rate fluctuations on these profits.

With respect to its commercial aircraft products, as of 30 June 2018, the Company adopted a new hedge strategy to hedge its net exposure (US dollar revenue less US dollar cost) resulting from commercial aircraft deliveries of specific aircraft types. The strategy more closely aligns hedge accounting with risk management activities.

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

If such a shift in hedged deliveries occurs, hedge ineffectiveness will arise to the extent the maturities of the hedging instrument and the expected timing of the hedged cash flows are no longer perfectly aligned. In order to minimise such ineffectiveness the Company will close the timing gap by rolling over hedges to new maturities, using foreign exchange swap contracts.

In addition, the Company will designate the risk of changes in the spot element as the hedged risk in order to eliminate the ineffectiveness resulting from changes in forward points between different maturities. The forward element will be accounted for as a cost of hedging similar to the time value of options.

Until 30 June 2018 the Company typically hedged firmly committed sales in US dollar using a "first flow approach". Under that approach, the foreign currency derivatives the Company entered into were designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implied that only a portion of the expected monthly customer payments made at aircraft delivery were hedged and that a reduction of monthly cash inflows as a result of postponements or order cancellations had no impact on the effectiveness of the hedge as long as the actual gross US dollar cash inflows received at aircraft delivery in a particular month exceeded the portion designated as being hedged in that month. According to the prospective application requirement of IFRS 9, the fair values of the legacy portfolio in place at inception of the new strategy continue to be assigned to the previous first flow hedge regime and remain in the hedge reserve in OCI, to be recognised in profit and loss only at maturity of the originally hedged cash flows (unless those cash flows are no longer expected to occur).

As a result of prospective application, the hedging instruments designated under the new strategy had a non-zero fair value at hedge inception, which might create some small ineffectiveness.

Another source of ineffectiveness is the counterparty credit risk inherent in the hedge portfolio. As such, credit risk is absent from the hedged cash flows. However, since netting arrangements are in place with all the hedge counterparties and the Company has a policy of trading with investment grade counterparties only, the credit risk arising from its hedging instruments, and associated changes in credit risk, have historically been negligible and are expected to remain so.

The Company also hedges its expected foreign currency exposure arising from US dollar or pound sterling cash outflows in the commercial aircraft business on a first outflow basis, though to a much lesser extent than US dollar cash inflows.

In military aircraft and non-aircraft businesses, the Company hedges inflows and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

In situations where the payment dates for hedged firmly committed cash flows are not fixed and subject to potentially significant delays, the Company may use rollover strategies, usually involving foreign exchange swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IFRS 9, the Company uses the cash flow hedge model, which requires (i) recognising the effective portion of the fair value changes of the hedging derivatives in equity (within OCI) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, the Company hedges currency risk arising from financial assets or liabilities denominated in currencies other than the euro, including foreign currency receivable and payable accounts, as well as foreign currency denominated funding transactions or securities. The Company applies hedge accounting if a mismatch in terms of profit or loss recognition of the hedging instrument and hedged item would otherwise occur. Frequently, however, the currency-induced gains or losses of the hedging instrument and the hedged item match in terms of profit or loss recognition ("natural hedge"), so no hedge accounting is required. Sometimes such gains or losses may end up in different sections of the income statement (such as operating profit for the hedged item and financial result for the hedging instrument). If so, the Company may choose to present the gains or losses of both the hedging instrument and the hedged item in the same income statement line item if certain formal requirements are met.

As hedging instruments, the Company primarily uses foreign currency forwards, foreign currency options and to a minor extent non-derivative financial instruments. A hedge ratio of 1:1 is applied by the Company.

The Company also has foreign currency derivative instruments which are embedded in certain purchase contracts denominated in a currency other than the functional currency of any substantial party to the contract, principally in US dollar and pound sterling. If such embedded derivatives are required to be accounted for separately from the host purchase contract, related gains or losses are generally recognised in other financial result. However, if the embedded derivatives qualify for hedge accounting, the Company might choose to designate them as a hedging instrument in a hedge of foreign currency risk, in which case they are accounted for under the cash flow hedge model as described above.

Interest rate risk — The Company uses an asset-liability management approach with the objective to limit its interest rate risk. It undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities. The remaining net interest rate exposure is managed through several types of interest rate derivatives, such as interest rate swaps and interest rate futures contracts, in order to minimise risks and financial impacts.

The vast majority of related interest rate hedges qualify for hedge accounting, and most of them are accounted for under the fair value hedge model. As a result, both the fair value changes of these derivatives and the portion of the hedged items' fair value change that is attributable to the hedged interest rate risk are recognised in profit and loss, where they offset to the extent the hedge is effective.

A few interest rate swaps that have been entered into as a hedge of certain of the Company variable rate debt (see "– Note 35.3: Financing Liabilities") are accounted for under the cash flow hedge model. Related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

The Company invests in financial instruments such as overnight deposits, certificates of deposits, commercial papers, other money market instruments and short-term as well as medium-term bonds. For its financial instruments portfolio, the Company has an Asset Liability Management Committee in place that meets regularly and aims to limit the interest rate risk on a fair value basis through a value-at-risk approach, from which results a hedge ratio that is however not actively steered.

Commodity price risk — The Company is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. It manages these risks in the procurement process and to a certain extent uses derivative instruments in order to mitigate the risks associated with the purchase of raw materials. To the extent that the gains or losses of the derivative and those of the hedged item or transaction do not match in terms of profit or loss, the Company applies cash flow hedge accounting to the derivative instruments, with a hedge ratio of 1:1.

Equity price risk — The Company is to a small extent invested in equity securities mainly for operational reasons. Its exposure to equity price risk is hence limited. Furthermore, it is exposed under its LTIP to the risk of the Company share price increases. The Company limits these risks through the use of equity derivatives that qualify for hedge accounting and have been designated as hedging instruments in cash flow hedges, with a hedge ratio of 1:1.

Sensitivities of market risks — The approach used to measure and control market risk exposure of the Company's financial instrument portfolio is, amongst other key indicators, the value-at-risk model ("VaR"). The VaR of a portfolio is the estimated potential loss that will not be exceeded over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Company is based upon a 95% confidence level and assumes a five-day holding period. The VaR model used is mainly based on the so-called "Monte-Carlo-Simulation" method. The model generates a wide range of potential future scenarios for market price movements by deriving the relevant statistical behaviour of markets for the portfolio of market data from the previous two years and observed interdependencies between different markets and prices.

The Company's VaR computation includes the Company's financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade liabilities and receivables and contract assets.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- a five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR.

- the use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

The Company uses VaR amongst other key figures in order to determine the riskiness of its financial instrument portfolio and in order to optimise the risk-return ratio of its financial asset portfolio. Further, its investment policy defines a VaR limit for the total portfolio of cash, cash equivalents and securities. The total VaR as well as the different risk-factor specific VaR figures of this portfolio are measured and serve amongst other measures as a basis for the decisions of the Company's Asset Liability Management Committee.

A summary of the VaR position of the Company financial instruments portfolio at 31 December 2019 and 2018 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2019					
Foreign exchange hedges for forecast transactions or firm commitments	643	0	643	0	179
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	113	34	78	0	71
Finance lease receivables and liabilities, foreign currency trade payables and receivables	51	0	41	0	27
Commodity contracts	3	0	0	3	0
Equity swaps	5	5	1	0	0
Diversification effect	(249)	(4)	(177)	0	(121)
All financial instruments	**566**	**35**	**586**	**3**	**156**
31 December 2018					
Foreign exchange hedges for forecast transactions or firm commitments	711	0	716	0	88
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	82	28	70	0	34
Finance lease receivables and liabilities, foreign currency trade payables and receivables	21	0	20	0	19
Commodity contracts	3	0	0	3	0
Equity swaps	8	8	1	0	0
Diversification effect	(182)	(6)	(147)	0	(48)
All financial instruments	**644**	**31**	**659**	**3**	**93**

The decrease of the total VaR as of 31 December 2019 is mainly attributable to a strong decrease of market volatilities, in particular in €/$. The Company uses its derivative instruments entirely for hedging purposes. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7, the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the foreign exchange hedging portfolio in the amount of € 643 million (2018: € 711 million) cannot be considered as a risk indicator for the Company in the economic sense.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. It manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€ 3.0 billion as of 31 December 2019 and 2018) in addition to the cash inflow generated by its operating business. The Company continues to keep within its asset portfolio the focus on low counterparty risk. In addition, it maintains a set of other funding sources, and accordingly may issue bonds, notes and commercial papers or enter into security lending agreements. Adverse changes in the capital markets could increase its funding costs and limit its financial flexibility.

Further, the management of the vast majority of the Company's liquidity exposure is centralised by a daily cash concentration process. This process enables it to manage its liquidity surplus as well as its liquidity requirements according to the actual needs of its subsidiaries. In addition, management monitors the Company's liquidity reserve as well as the expected cash flows from its operations.

The contractual maturities of the Company's financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year - 2 years	2 years - 3 years	3 years - 4 years	4 years - 5 years	> 5 years
31 December 2019								
Non-derivative financial liabilities	(26,828)	(28,307)	(17,306)	(1,718)	(484)	(1,293)	(1,310)	(6,196)
Derivative financial liabilities	(3,994)	(6,160)	(1,559)	(1,540)	(1,442)	(998)	(519)	(102)
Total	**(30,822)**	**(34,467)**	**(18,868)**	**(3,258)**	**(1,923)**	**(2,291)**	**(1,829)**	**(6,298)**
31 December 2018								
Non-derivative financial liabilities	(28,302)	(29,843)	(20,541)	(429)	(1,452)	(726)	(1,075)	(5,620)
Derivative financial liabilities	(2,755)	(4,479)	(1,806)	(1,075)	(868)	(492)	(157)	(81)
Total	**(31,057)**	**(34,322)**	**(22,347)**	**(1,504)**	**(2,320)**	**(1,218)**	**(1,232)**	**(5,701)**

Non-derivative financial liabilities included in the table above comprise financing liabilities as presented in "– Note 37.2: Carrying Amounts and Fair Values of Financial Instruments". Due to their specific nature, namely their risk-sharing features and uncertainty about the repayment dates, the European Governments' refundable advances, which amount to € -4,277 million at 31 December 2019 (€ -4,577 million at 31 December 2018) are not included.

Lease liabilities

The maturity analysis of lease liabilities, based on contractual undiscounted cash flows is as follows:

(In € million)	
Not later than 1 year	(262)
Later than 1 year and not later than 5 years	(768)
Later than 5 years	(606)
Total undiscounted lease liabilities at 31 December 2019	**(1,636)**
Lease liabilities included in the statement of financial position at 31 December 2019	**(1,560)**
Current	(262)
Non-current	(1,298)

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by either its customers (*e.g.* airlines) or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, it has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed by the Company. In order to ensure sufficient diversification, a credit limit system is used.

The Company monitors the performance of the individual financial instruments and the impact of market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment. In order to support sales, primarily at Airbus, Airbus Helicopters and ATR, the Company may agree to participate in customer financing, on a case-by-case basis either directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, the Company takes into account the airline's credit rating and economic factors reflecting the relevant financial market conditions, together with appropriate assumptions as to the anticipated future value of the financed asset.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' creditworthiness *e.g.* airlines by way of internal risk pricing methods.

For further information relating to gross credit risk and impairment see "– Note 37.7: Impairment Losses".

37.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments — The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. Its financial liabilities include trade liabilities, obligations towards financial institutions, issued bonds and refundable advances from European Governments. All purchases and sales of financial assets are recognised on the settlement date according to market conventions.

Financial assets at amortised cost — This category comprises assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. It includes trade receivables.

Financial assets at fair value through OCI — This category comprises:

(i) Equity investments that are not held for trading. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) are recognised in OCI. Amounts presented in OCI are not subsequently transferred to profit and loss on derecognition of the equity investment nor in the event of an impairment.

(ii) Debt instruments where contractual cash flows are solely payments of principal and interest, and that are held both for sales and collecting contractual cash flows. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items are recognised directly within AOCI. Upon disposal of such financial assets, the cumulative gain or loss previously recognised in equity is recorded as part of other income (other expenses) from investments in the Consolidated Income Statement for the period. Interest earned on the investment are presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment were recognised as other income (other expenses) from investments in the Consolidated Income Statement when the right to the payment had been established.

Financial assets at fair value through profit or loss — This category comprises all other financial assets (*e.g.* derivative instruments) that are to be measured at fair value (including equity investments for which the Company did not elect to present changes in fair value in OCI).

The Company assigns its financial instruments into classes based on their balance sheet category.

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2019:

	Fair value through profit or loss	Fair value through OCI	Financial assets and liabilities at amortised cost		**Financial instruments total**	
(In € million)			Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and other long-term financial assets						
Equity investments [(1)]	1,125	1,390	0	0	2,516	2,516
Customer financing	350	0	0	0	350	350
Other loans	0	0	2,036	2,036	2,036	2,036
Trade receivables	0	0	5,674	5,674	5,674	5,674
Contract assets	0	0	1,258	1,258	1,258	1,258
Other financial assets						
Derivative instruments	1,440	0	0	0	1,440	1,440
Non-derivative instruments	0	0	1,653	1,653	1,653	1,653
Securities	0	13,368	0	0	13,368	13,368
Cash and cash equivalents	7,014	652	1,648	1,648	9,314	9,314
Total	**9,929**	**15,410**	**12,269**	**12,269**	**37,609**	**37,609**
Liabilities						
Financing liabilities						
Bonds and commercial papers	0	0	(6,491)	(6,696)	(6,491)	(6,696)
Liabilities to financial institutions and others	0	0	(2,096)	(2,098)	(2,096)	(2,098)
Finance lease liabilities	0	0	(1,560)	(1,560)	(1,560)	(1,560)
Other financial liabilities						
Derivative instruments	(3,994)	0	0	0	(3,994)	(3,994)
European Governments' refundable advances [(2)]	0	0	(4,277)	(4,277)	(4,277)	(4,277)
Others	0	(1,014)	(859)	(859)	(1,873)	(1,873)
Trade liabilities	0	0	(14,808)	(14,808)	(14,808)	(14,808)
Total	**(3,994)**	**(1,014)**	**(30,091)**	**(30,298)**	**(35,306)**	**(35,306)**

(1) Other than those accounted for under the equity method.

(2) The European Governments' refundable advances of € -4,277 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2018:

(In € million)	Fair value through profit or loss	Fair value through OCI	Financial assets and liabilities at amortised cost		**Financial instruments total**	
			Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and other long-term financial assets						
Equity investments [1]	1,202	1,065	0	0	2,267	2,267
Customer financing	510	0	0	0	510	510
Other loans	0	0	1,523	1,523	1,523	1,523
Trade receivables	0	0	6,078	6,078	6,078	6,078
Contract assets	0	0	854	854	854	854
Other financial assets						
Derivative instruments	1,317	0	0	0	1,317	1,317
Non-derivative instruments	0	0	1,602	1,602	1,602	1,602
Securities	0	12,794	0	0	12,794	12,794
Cash and cash equivalents	6,576	984	1,853	1,853	9,413	9,413
Total	**9,605**	**14,843**	**11,910**	**11,910**	**36,358**	**36,358**
Liabilities						
Financing liabilities						
Bonds and commercial papers	0	0	(6,659)	(6,781)	(6,659)	(6,781)
Liabilities to financial institutions and others	0	0	(1,937)	(1,941)	(1,937)	(1,941)
Finance lease liabilities [2]	0	0	(330)	(330)	(330)	(330)
Other financial liabilities						
Derivative instruments	(2,755)	0	0	0	(2,755)	(2,755)
European Governments' refundable advances [3]	0	0	(4,577)	(4,577)	(4,577)	(4,577)
Others	0	(2,300)	(839)	(839)	(3,139)	(3,139)
Trade liabilities	0	0	(16,237)	(16,237)	(16,237)	(16,237)
Total	**(2,755)**	**(2,300)**	**(30,579)**	**(30,705)**	**(35,634)**	**(35,760)**

(1) Other than those accounted for under the equity method.

(2) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IFRS 9.

(3) The European Governments' refundable advances of € -4,577 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

Fair Value Hierarchy

Fair value of financial instruments — The fair value of quoted investments is based on current market prices. If the market for financial assets is not active, or in the case of unlisted financial instruments, the Company determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Derivative instruments are generally managed on the basis of the Company's net exposure to the credit risk of each particular counterparty and fair value information is provided to the Company's key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

Depending on the extent the inputs used to measure fair values rely on observable market data, fair value measurements may be hierarchised according to the following levels of input:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;
- Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from the Company's own data and may require the use of assumptions that are inherently judgemental and involve various limitations.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input. Otherwise, the Company determines mostly fair values based on Level 1 and Level 2 inputs and to a lesser extent on Level 3 input.

The following table presents the carrying amounts of the financial instruments held for the three levels of the **fair value hierarchy** as of 31 December 2019 and 2018, respectively:

	2019				2018			
(In € million)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,988	0	528	2,516	1,778	0	489	2,267
Derivative instruments	0	1,224	216	1,440	0	1,152	165	1,317
Securities (1)	13,368	0	0	13,368	12,794	0	0	12,794
Customer financing	0	0	350	350	0	0	510	510
Cash equivalents	7,014	652	0	7,666	6,576	984	0	7,560
Total	**22,370**	**1,876**	**1,094**	**25,340**	**21,148**	**2,136**	**1,164**	**24,448**
Financial liabilities measured at fair value								
Derivative instruments	0	(3,974)	(20)	(3,994)	0	(2,729)	(26)	(2,755)
Other financial liabilities	0	0	(1,014)	(1,014)	0	0	(2,300)	(2,300)
Total	**0**	**(3,974)**	**(1,034)**	**(5,008)**	**0**	**(2,729)**	**(2,326)**	**(5,055)**

(1) Reclassified from Level 2 to Level 1.

The development of financial instruments of Level 3 is as follows:

(In € million)	Derivatives	Participations	Customer financing	Total	Written put options on NCI interests	Commodity swap agreements	Total
Balance at 1 January 2018	**0**	**478**	**770**	**1,248**	**0**	**(3)**	**(3)**
Business combination	198	0	0	198	(2,247)	0	(2,247)
Profit or loss	25	0	(260)	(235)	0	(67)	(67)
Equity	0	23	0	23	0	0	0
Settlements	(58)	(12)	0	(70)	0	44	44
Release	0	0	0	0	(53)	0	(53)
Balance at 31 December 2018	**165**	**489**	**510**	**1,164**	**(2,300)**	**(26)**	**(2,326)**
Business combination	0	0	0	0	0	0	0
Profit or loss	51	0	(160)	(109)	0	(12)	(12)
Equity	0	39	0	39	1,286	0	1,286
Settlements	0	0	0	0	0	18	18
Others	0	0	0	0	0	0	0
Balance at 31 December 2019	**216**	**528**	**350**	**1,094**	**(1,014)**	**(20)**	**(1,034)**

The financial liabilities measured at fair value and classified as Level 3 consist mainly of the written put options on non-controlling interests ("NCI puts") relating to ACLP (see"- Note 7: Acquisitions and Disposals").The fair value of these NCI puts are derived from a discounted cash flow analysis using the latest operating plan and a projection over the lifetime of the A220 programme.

In addition a post-tax WACC of 7.5% is used to discount the forecasted cash flows, taking into account the specificities of the programme (2018: 6.95%).

The decrease in the fair value of the NCI puts reflects the latest projections on funding needs, ramp-up phasing and market projections.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2019 and 2018, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition at 31 December 2019**	**Fair value at 31 December 2019**	Nominal amount at initial recognition at 31 December 2018	Fair value at 31 December 2018
Designated at fair value through profit or loss at recognition:				
Money market funds (accumulating)	7,009	7,009	5,415	5,416
Foreign currency funds of fixed income funds	5	5	9	9
Total	**7,014**	**7,014**	**5,424**	**5,425**

The Company manages these assets and measures their performance on a fair value basis.

In addition, the Company invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 1,316 million (2018: € 1,159 million).

Fair Value Measurement Method

The Company uses the following methods to measure fair values:

Equity instruments — The fair values of listed equity instruments reflect quoted market prices. For non-listed equity investments for which quoted market prices are not available, the Company determines the fair values using valuation methods such as net asset values, discounted cash flow method or a comparable valuation technique.

Customer financing assets and other loans — The carrying amounts reflected in the annual accounts are used as a proxy for fair value.

Contract assets, trade receivables and other receivables — The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the receivables' origination and their maturity.

Securities — The fair values of securities reflect their quoted market price at the end of the reporting period.

Cash and cash equivalents — include cash in hand, cash in banks, checks, fixed deposits as well as commercial papers and money market funds. The carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of the instrument and its maturity or due date. The fair value of commercial papers is determined based on Level 2 input by discounting future cash flows using appropriate interest rates. The fair values of money market funds are determined by reference to their quoted market price.

Derivatives — The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models (e.g. Black & Scholes model) and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognised vendors of market data. Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that the Company has with each counterparty. Except for certain short-term commodity contracts and derivatives presented in the Level 3 section above, derivative fair values are measured based on Level 2 input.

Financing liabilities — The fair values disclosed for financing liabilities, other than those of issued bonds and commercial papers, are determined based on Level 2 input by discounting scheduled or expected cash flows using appropriate market interest rates. The fair values disclosed for the issued EMTN and US dollar bonds reflect public price quotations that qualify as Level 1 input. For issued commercial papers, the carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of these instruments and their maturity.

Trade liabilities and current other financial liabilities — For the same reason as trade receivables, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2019 and 2018:

	31 December					
	2019	2018	**2019**	2018	**2019**	2018
(Rate in %)	€		US$		£	
6 months	(0.36)	(0.30)	1.93	2.95	0.90	1.05
1 year	(0.28)	(0.19)	1.94	3.10	1.01	1.29
5 years	(0.20)	0.14	1.68	2.60	0.88	1.31
10 years	0.13	0.76	1.85	2.73	1.02	1.44

37.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2019 and 2018, respectively:

				Related amounts not set off in statement of financial positions		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2019						
Financial asset	831	0	831	(789)	0	42
Financial liabilities	3,560	0	3,560	(789)	0	2,771
31 December 2018						
Financial asset	1,186	0	1,186	(872)	0	314
Financial liabilities	2,726	0	2,726	(872)	0	1,854

37.4 Notional Amounts of Derivative Financial Instruments

The contract or notional amounts of derivative financial instruments shown below do not necessarily represent amounts exchanged by the parties and, thus, are not necessarily a measure for the exposure of the Company through its use of derivatives.

The notional amounts of **foreign exchange derivative financial instruments** are as follows, specified by year of expected maturity:

	Remaining period						
(In € million)	1 year	2 years	3 years	4 years	5 years	> 5 years	Total
31 December 2019							
Net forward sales contracts	23,543	18,108	16,959	11,656	6,450	1,632	78,348
Foreign exchange options	1,745	2,884	0	0	0	0	4,629
Foreign exchange swap contracts	4,054	0	0	0	0	0	4,054
31 December 2018							
Net forward sales contracts	20,843	18,496	13,540	6,173	1,098	71	60,221
Foreign exchange options	1,642	4,048	1,467	0	0	0	7,157
Foreign exchange swap contracts	0	2,473	0	0	0	0	2,473

The following table sets out the notional amount of foreign exchange hedges in place as of 31 December 2019 relating to the commercial activities of Airbus, and the average euro converted rates applicable to corresponding EBIT.

(In $ million)	2020	2021	2022	2023	2024+	Total
Total hedges	**25,442**	**23,691**	**20,721**	**14,944**	**12,350**	**97,148**
Forward rates						
€/US$	1.20	1.23	1.23	1.24	1.27	1.23
£/US$	1.37	1.36	1.35	1.40	N/A	1.37

In 2019 new hedge contracts of US$ 40.6 billion (2018: US$ 19.0 billion) were added at an average rate of 1.20 US$/€ (2018: 1.25 US$/€).

As of 31 December 2019, the total hedge portfolio with maturities up to 2026 amounts to US$ 97.1 billion (2018: US$ 81.9 billion) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning. The average US$/€ hedge rate of the US$/€ hedge portfolio until 2026 amounts to 1.23 US$/€ (2018: 1.24 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.37 US$/£ (2018: 1.40 US$/£).

(In £ million)	2020	2021	2022	2023	2024+	Total
Total hedges	**36**	**135**	**182**	**164**	**79**	**596**
Forward rates						
€/£	1.03	0.90	0.89	0.90	0.91	0.91

During the course of the year 2019, €/£ hedges were implemented in order to cover the GBP exposure of the company.

The notional amounts of **interest rate contracts** are as follows:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	Total
31 December 2019									
Interest rate contracts	7	162	4	890	1,000	0	600	2,735	5,398
Interest rate future contracts	0	0	0	0	0	0	0	0	0
31 December 2018									
Interest rate contracts	939	7	172	4	1,048	1,000	600	1,200	4,970
Interest rate future contracts	215	0	0	0	0	0	0	0	215

Please also refer to "– Note 36.3: Financing Liabilities".

The notional amounts of **commodity contracts** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2019	25	36	20	12	3	96
31 December 2018	36	19	14	10	3	81

The notional amounts of **equity swaps** are as follows:

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	> 4 years	Total
31 December 2019	37	32	23	9	0	101
31 December 2018	49	37	27	9	0	123

37.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the **reconciliation of AOCI**, net of tax, resulting from cash flow hedge accounting as of 31 December 2019 and 31 December 2018:

	31 December	
	2019	2018
(In € million)		Hedge reserve
Opening balance	**1,473**	**(776)**
Foreign exchange contracts	3,527	3,825
Others	7	7
Changes in fair values	**3,534**	**3,832**
Foreign exchange contracts	(1,894)	(799)
Others	(2)	(1)
Amount reclassified to profit or loss (matured hedges)	**(1,896)**	**(800)**
Foreign exchange contracts	(207)	(4)
Others	0	0
Amount classified to profit or loss (inefficiency)	**(207)**	**(4)**
Tax impact	**(383)**	**(779)**
Closing balance	**2,521**	**1,473**

The following table presents the amounts relating to **items designated as hedging instruments and hedge ineffectiveness** for cash-flow hedges as of 31 December 2019:

	Carrying values		OCI			
(In € million)	Asset	Liability	Changes in values of the hedging instrument	Other changes in value of the hedge reserve	Hedge inefficiency recorded in financial result [(1)]	Amounts reclassified from hedge reserve to profit and loss
Foreign currency risk						
Net forward sales contracts	848	(3,787)	699	2,824	(208)	(1,895)
Foreign exchange options	19	(58)	(1)	2	0	1
Embedded Derivatives	0	(18)	14	0	0	0
Interest rate risk	0	(3)	0	0	0	0
Commodity swap risk	9	(10)	(4)	0	0	(2)
Equity swap risk	20	0	0	0	0	0
Total	**896**	**(3,876)**	**707**	**2,826**	**(208)**	**(1,896)**

(1) It includes the financial expense of € 112 million on hedge ineffectiveness (see "– Note 11: Revenue and Gross Margin").

The following table presents the amounts relating to **items designated as hedging instruments and hedge ineffectiveness** for cash-flow hedges as of 31 December 2018:

	Carrying values		OCI			
(In € million)	Asset	Liability	Changes in values of the hedging instrument	Other changes in value of the hedge reserve	Hedge inefficiency recorded in financial result	Amounts reclassified from hedge reserve to profit and loss
Foreign currency risk						
Net forward sales contracts	868	(2,410)	2,749	807	(4)	(791)
Foreign exchange options	21	(28)	9	252	0	0
Embedded Derivatives	0	(16)	6	0	0	(9)
Interest rate risk	0	(3)	(5)	0	0	0
Commodity swap risk	10	(17)	4	0	0	(1)
Equity swap risk	19	(4)	9	0	0	0
Total	**918**	**(2,478)**	**2,771**	**1,059**	**(4)**	**(801)**

37.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2019 and 2018, respectively, are as follows:

(In € million)	**2019**	2018
Financial assets or financial liabilities at fair value through profit or loss		
Held for trading	(212)	(104)
Designated on initial recognition	228	(254)
Financial assets at amortised cost	(155)	(30)
Financial assets at fair value through OCI (previously available-for-sale)	26	2
Financial liabilities measured at amortised cost	5	1,360

Net gains of € 403 million (2018: net gains of € 329 million) are recognised directly in equity relating to financial assets at fair value.

Interest income from financial assets or financial liabilities through profit or loss is included in net gains or losses.

37.7 Impairment Losses

Loss allowances — For its portfolio of debt instruments including bonds, term deposits and commercial papers, the Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the next 12 months, unless the credit risk on a financial instrument has increased significantly since initial recognition. In the event of such significant increase in credit risk the Company measures loss allowances for that financial instrument at an amount equal to its life-time excepted losses, *i.e.* at an amount equal to the excepted credit losses that result from all possible default events over the excepted life of that financial instrument.

The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. Similarly, the Company has determined that its trade receivables and contract assets generally have low credit risk. The Company applies the simplified approach permitted by IFRS 9 of measuring expected credit losses of trade receivables and contract assets on a lifetime basis from initial recognition.

Investment grade instruments — The Company considers a significant increase in credit risk to have occurred, if there is a downgrade by four notches such that the instrument moves into a high yield bucket as a direct result of the downgrade. With respect to instruments that were high yield at initial recognition, a downgrade by four notches is considered as a significant increase in credit risk.

	Stage 1	Stage 2	Stage 3	
(In € million)	12-month ECL	Life-time ECL	Credit impaired ECL	**Total**
At 1 January 2019	3.49	1.13	0	4.62
Change in financial assets	0.01	(0.69)	0	0.37
Change in risk parameters	0.67	(0.17)	0	0.04
At 31 December 2019	**4.17**	**0.27**	**0**	**4.44**

	Stage 1	Stage 2	Stage 3	
(In € million)	12-month ECL	Life-time ECL	Credit impaired ECL	**Total**
At 1 January 2018	3.36	0	0	3.36
Change in financial assets	0.07	0.75	0	0.82
Change in risk parameters	0.06	0.38	0	0.44
At 31 December 2018	**3.49**	**1.13**	**0**	**4.62**

The following table breaks down the **gross carrying amount of loans and receivables** as of 31 December 2019 and 2018, separately showing those that are impaired, renegotiated or past due:

(In € million)	Not past due	Renegotiated/ not past due/ not impaired	Gross impaired	Past due ≤ 3 months	Past due > 3 and ≤ 6 months	Past due > 6 and ≤ 9 months	Past due > 9 and ≤ 12 months	Past due > 12 months	Impairment	**Total**
31 December 2019										
Trade receivables	4,461	113	458	231	165	100	64	478	(396)	5,674
Contract assets	1,266	0	0	0	0	0	0	0	(8)	1,258
Others	2,499	7	531	174	26	31	56	588	(231)	3,681
Total	**8,226**	**120**	**989**	**405**	**191**	**131**	**120**	**1,066**	**(635)**	**10,613**
31 December 2018										
Trade receivables	4,647	179	229	317	300	98	84	400	(175)	6,079
Contract assets	856	0	0	0	0	0	0	0	0	856
Others	2,410	2	191	81	43	37	62	503	(204)	3,125
Total (1)	**7,913**	**181**	**420**	**398**	**343**	**135**	**146**	**903**	**(379)**	**10,060**

(1) Customer financing loans and finance leases are valued at fair value through profit and loss. Hence, no impairment applies.

The management believes that the unimpaired amounts that are past due are still collectible in full, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The following **impairment losses** on financial assets are recognised in profit or loss in 2019 and 2018, respectively:

(In € million)	**2019**	2018
Other loans	(33)	(32)
Trade receivables	(167)	(40)
Contract assets	(6)	0
Total	**(206)**	**(72)**

2.8 Other Notes

38. Litigation and Claims

Litigation and claims — Various legal actions, governmental investigations, proceedings and other claims are pending or may be instituted or asserted in the future against the Company. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with certainty. The Company believes that it has made adequate provisions to cover current or contemplated litigation risks. It is reasonably possible that the final resolution of some of these matters may require the Company to make expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that cannot be reasonably estimated. The term “reasonably possible” is used herein to mean that the chance of a future transaction or event occurring is more than remote but less than likely.

The Company 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, the Company 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 Airbus SE’s or the Company’s financial position or profitability.

If the Company concludes that the disclosures relative to contingent liabilities can be expected to prejudice seriously its position in a dispute with other parties, the Company limits its disclosures to the nature of the dispute.

WTO

Although the Company is not a party, the Company 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.

Following a series of interim WTO panel decisions, in May 2018 the WTO held that the EU achieved compliance in respect of the majority of the subsidies at issue but considered that some remaining obligations required adjustments. The Company and the EU took corrective actions that were reviewed by a WTO panel. The decision of that panel is currently being appealed. In the meantime, the US requested authority to impose countermeasures worth US$ 11.2 billion per year, commensurate with its estimate of the adverse effects caused by the EU subsidies. The WTO did not agree with the US estimate and authorised the US to impose US$ 7.5 billion in annual countermeasures. The United States Trade Representative (“USTR”) imposed tariffs on a range of imports to the US from the EU including 10% on the importation of large civil aircraft from the EU. Those tariffs went into effect on 18 October 2019.

The tariffs could have a material impact on the financial statements, business and operations of the Company. At this stage it is too early to determine the full extent of any financial impact on the Company. Duties on the importation of Airbus products into the US could result in (i) increased costs for the aerospace and airline industries as well as other industries that rely on air transport, (ii) weakening demand for new aircraft and negatively affecting the financial condition of air carriers and lessors, (iii) decisions to defer, reject or reschedule the delivery of new aircraft or limit the routes upon which new aircraft will be used, (iv) increased costs to consumers, (v) retaliation by the EU with its own import duties to be applied to US products, and/or (vi) damage to the Company’s business or reputation via negative publicity adversely affecting the Company’s prospects in the commercial market place.

Several years of proceedings also identified significant unlawful support to Boeing. In its most recent decision on the matter in March 2019, the WTO found that the steps by the US to address US subsidies to Boeing were inadequate. The WTO Appellate Body also found that additional US federal and state programmes, such as the Foreign Sales Corporation (“FSC”) and Washington State tax reductions constitute illegal subsidies. Consequently, the EU initiated its request for the authorisation of annual countermeasures amounting to up to US$ 12 billion and published a preliminary list of products from the US on which the EU may take countermeasures, which includes US aircraft. The actual amount of duties to which the EU may be entitled will be determined at the conclusion of WTO arbitration proceedings. The imposition of equivalent or greater tariffs on aircraft imports into Europe is likely.

Exact timing of further steps in the WTO litigation process is subject to further rulings and to negotiations between the US and the EU.

GPT

In August 2012, the UK Serious Fraud Office (“SFO”) announced that it had opened a formal criminal investigation in relation to GPT Special Project Management Ltd (“GPT”), a subsidiary operating in Saudi Arabia that the Company acquired in 2007. The investigation relates to issues initially raised by a whistleblower concerning contractual arrangements originating prior to GPT’s acquisition and continuing thereafter. The Company has engaged with the SFO throughout and continues to actively cooperate with the investigation.

Eurofighter Austria

In 2017, the Austrian Federal Ministry of Defence raised criminal allegations against Airbus Defence and Space GmbH and Eurofighter Jagdflugzeug GmbH for wilful 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 investigations against Airbus Defence and Space GmbH, Eurofighter Jagdflugzeug GmbH and former and current employees of the two entities including related to the corresponding offset obligations. The Company has filed several submissions to the Austrian public prosecutor in response to the allegations of deception in the procurement of Eurofighter combat aircraft made by the Austrian Defence Minister. The Company is cooperating fully with the authorities.

Investigation by the UK SFO, France's PNF, US Departments of State and Justice and Related Commercial Litigation

The Company reached final agreements ("the agreements") with the French Parquet National Financier ("PNF"), the UK Serious Fraud Office ("SFO"), and the US Department of Justice ("DoJ") resolving the authorities' investigations into allegations of bribery and corruption, as well as with the US Department of State ("DoS") and the DoJ to resolve their investigations into inaccurate and misleading filings made with the DoS pursuant to the US International Traffic in Arms Regulations (ITAR). The agreements were approved and made public on 31 January 2020.

Under the terms of the agreements, the Company has agreed to pay penalties of € 3,597,766,766 plus interest and costs to the French, UK and US authorities. This is recognised in the Company's 2019 accounts. The settlements with each authority are as follows: PNF € 2,083,137,455, the SFO € 983,974,311, the DoJ € 526,150,496 and the DoS € 9,009,008 of which € 4,504,504 may be used for approved remedial compliance measures.

Under the terms of the *Convention Judiciaire d'Intérêt Public* ("CJIP") with the PNF, the Company has an obligation to submit its compliance programme to targeted audits carried out by the Agence Française Anticorruption ("AFA") over a period of three years.

Under the terms of the Deferred Prosecution Agreement ("DPA") with the SFO, no independent compliance monitor will be imposed on the Company in light of the continuing monitorship to be conducted by the AFA.

Under the terms of the DPA with the DoJ, no independent compliance monitor will be imposed on Airbus under the agreement with the DoJ, but the Company will periodically report on its continuing compliance enhancement progress during the three year term of the DPA and carry out further reviews as required by the DoJ.

The agreements result in the suspension of prosecution for a duration of three years whereupon the prosecutions will be extinguished if the Company complies with their terms throughout the period, including the payment of penalties.

Under the terms of the Consent Agreement with the DoS, the DoS has agreed to settle all civil violations of the ITAR outlined in the Company's voluntary disclosures identified in the Consent Agreement, and the Company has agreed to retain an independent export control compliance officer, who will monitor the effectiveness of the Company's export control systems and its compliance with the ITAR for a duration of three years.

Any breach of the terms of the agreements by the Company could lead to rescission by the authorities of the terms of the agreements and reopening of the prosecutions. Prosecution could result in the imposition of further monetary penalties or other sanctions including additional tax liability and could have a material impact on the financial statements, business and operations of the Company.

In addition to any pending investigation in other jurisdictions, the factual disclosures made in the course of reaching the agreements may result in the commencement of additional investigations in other jurisdictions. Such investigations could also result in (i) civil claims or claims by shareholders against the Company, (ii) adverse consequences on the Company's 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 the Company's business or reputation via negative publicity adversely affecting the Company's prospects in the commercial market place.

Airbus will continue to cooperate with the authorities in the future, pursuant to the agreements and to enhance its strong Ethics & Compliance culture within the Company.

Several consultants and other third parties have initiated commercial litigation and arbitration against the Company seeking relief. The agreements reached with authorities may lead to additional commercial litigation and arbitration against the Company and tax liability in the future, which could have a material impact on the financial statements, business and operations of the Company.

ECA Financing

The Company and the ECAs reached agreement on a process under which it is able to make applications for ECA-backed financing for its customers across the Company on a case-by-case basis.

Other Investigations

The Company is cooperating fully with the authorities in a judicial investigation in France related to Kazakhstan. In this spirit, the Company asked to be interviewed by the investigating magistrates and has been granted the status of "assisted witness" in the investigation.

On 17 September 2019, the Company self-reported to German authorities potentially improper advance receipt and communication of confidential customer information by employees of Airbus Defence and Space GmbH. The information concerned relates to two future German government procurement projects in the programme line Communications, Intelligence and Security. The self-disclosure by the Company follows an ongoing internal review with the support of an external law firm. Both the German Ministry of Defence and the Munich public prosecutor announced their intention to open an investigation into the matter. The Company will continue to fully cooperate with relevant authorities. The investigation could have an impact on Airbus Defence and Space GmbH's ability to participate in future public procurement projects in Germany and may have other legal consequences.

Other Disputes

In the course of a commercial dispute, the Company 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. Post-award proceedings are currently underway.

39. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2019 have been charged by EY to the Company, its subsidiaries and other consolidated entities:

(In € thousand)	**2019**	2018
Audit of the financial statements	11,618	12,098
Other audit engagements	220	244
Tax services	1,037	766
Other non-audit services	1,726	1,245
Total	**14,601**	**14,353**

Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of € 6 million in 2019 (2018: € 6 million).

40. Events after the Reporting Date

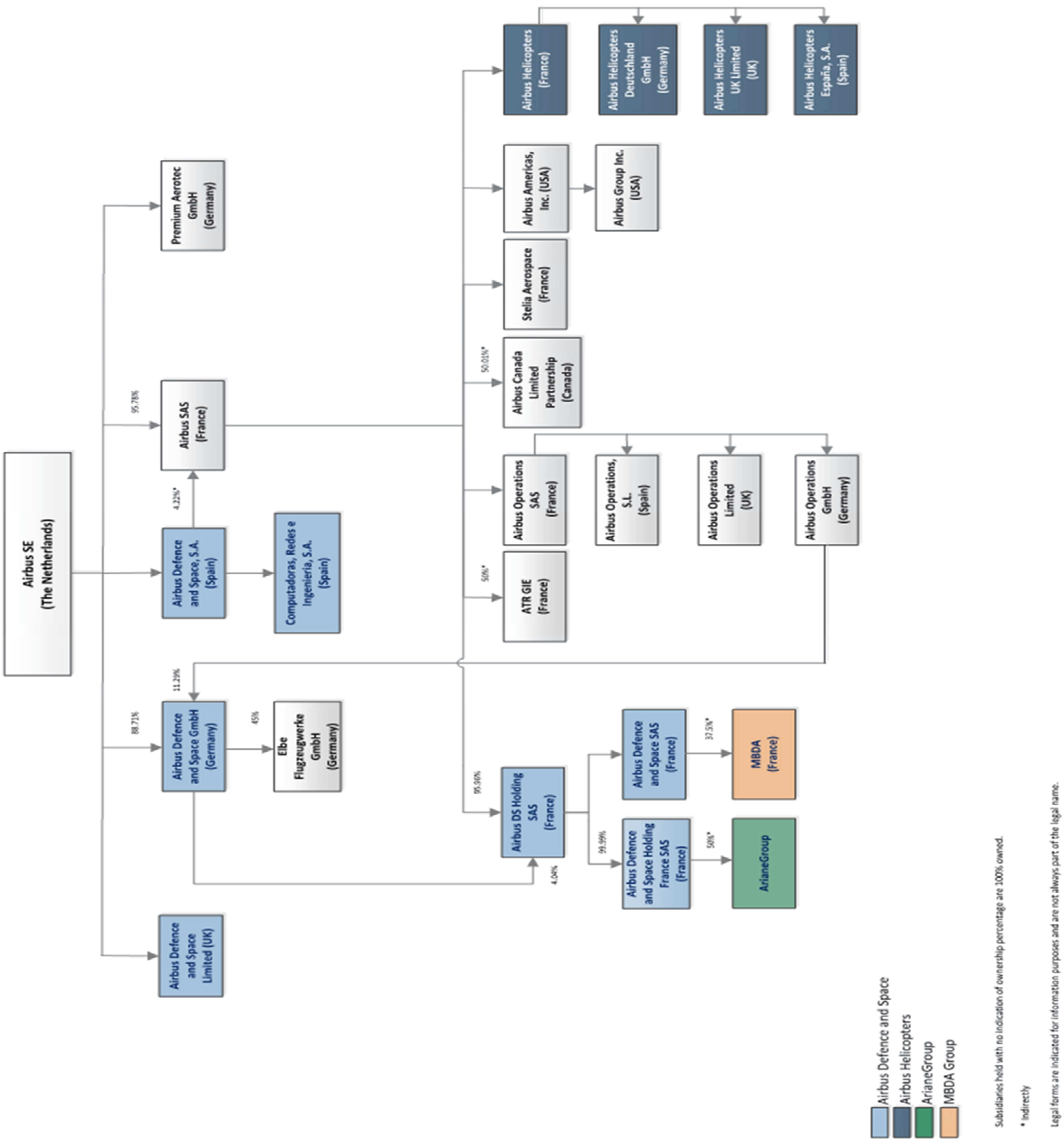
On 31 January 2020, the Company reached final agreements with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO) and the U.S. Department of State (DoS) (see "– Note 38: Litigation and Claims").

The UK formally exited the EU on 31 January 2020. From 1st February, both parties enter the 'transition period' during which the EU and UK will negotiate additional relationship arrangements. The transition period runs until 31 December 2020 (see "– Note 5: Brexit").

The Company is monitoring the situation regarding the Coronavirus and evaluating any potential impacts to production and deliveries, and will try to mitigate via alternative plans where necessary. There is no impact as of 31 December 2019.

On 12 February 2020, the Company and IQ have agreed to acquire Bombardier's remaining stake in ACLP. This brings their holdings to 75% and 25% respectively. As part of this transaction, Airbus, via its wholly owned subsidiary Stelia Aerospace, has also acquired the A220 and A330 work package production capabilities from Bombardier in Ville Saint-Laurent, Quebec. Airbus will pay a total consideration of $ 0.6 bn, of which $ 0.5 bn would be paid on closing. With this transaction Bombardier is released of its future funding capital requirement to ACLP. The Company is assessing the impacts of the transaction on its 2020 financial statements.

2.9 Appendix “Simplified Airbus Structure”



For further information, please refer to the Company's website.

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3.

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IFRS Company Income Statement for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Operating income		159	393
Operating expenses		(3,845)	(270)
Income from investments		34	46
Gain (loss) on disposal of investments	8	1	(369)
Total operating result	5	**(3,650)**	**(200)**
Interest income		202	233
Interest expense		(176)	(195)
Other financial result		(36)	(33)
Total financial result	6	**(10)**	**5**
Profit (loss) before income taxes		**(3,660)**	**(195)**
Tax income (expense)	7	(5)	(32)
Profit (loss) for the period		**(3,665)**	**(227)**

IFRS Company Statement of Comprehensive Income for the years ended 31 December 2019 and 2018

(In € million)	**2019**	2018
Profit (loss) for the period	**(3,665)**	**(227)**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Change in fair value of financial assets	143	(59)
Change in fair value of cash flow hedges	0	1
Other comprehensive income, net of tax	**143**	**(58)**
Total comprehensive income of the period	**(3,522)**	**(285)**

IFRS Company Statement of Financial Position at 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Assets			
Non-current assets			
Investments in subsidiaries and associates	8	16,960	16,797
Long-term financial assets	9	1,794	1,468
Non-current other financial assets	9	3,066	1,882
Non-current other assets		0	1
Deferred tax assets	7	0	12
Non-current securities	13	10,811	10,473
		32,631	**30,633**
Current assets			
Trade receivables		32	165
Short-term financial assets	9	44	240
Current other financial assets	9	1,777	1,912
Current accounts Airbus companies	9	8,574	8,013
Current other assets		85	85
Current securities	13	2,255	2,073
Cash and cash equivalents	13	8,129	7,886
		20,896	**20,374**
Total assets		**53,527**	**51,007**

Equity and liabilities			
Stockholders' equity	12		
Capital Stock		784	777
Share premium		3,555	2,941
Retained earnings		5,204	6,636
Legal reserves		174	31
Treasury shares		(82)	(51)
Result of the year		(3,665)	(227)
		5,970	**10,106**
Non-current liabilities			
Long-term financing liabilities	13	6,580	6,746
Non-current other financial liabilities	9	2,898	2,015
Deferred tax liabilities	7	34	0
		9,512	**8,761**
Current liabilities			
Short-term financing liabilities	13	0	0
Current accounts Airbus companies	9	32,510	30,175
Current other financial liabilities	9	1,793	1,906
Current other liabilities		3,742	58
		38,045	**32,139**
Total equity and liabilities		**53,527**	**51,007**

IFRS Company Statement of Cash Flows for the years ended 31 December 2019 and 2018

(In € million)	Note	**2019**	2018
Operating Activities			
Profit (loss) for the period (Net income)		**(3,665)**	**(227)**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(202)	(233)
Interest expense		236	195
Interest received		176	260
Interest paid		(175)	(139)
Tax (income) expense		5	44
Result of disposal of assets		(1)	0
Depreciation and amortisation		0	0
Valuation adjustments		(72)	39
Change in income tax assets, income tax liabilities and provisions for income tax		0	(12)
Dividends received		(34)	(45)
Change in current and non-current provisions		(1)	1
Change in other operating assets and liabilities		**3,813**	**(553)**
• Trade receivables		185	(134)
• Trade liabilities		35	(425)
• Other assets and liabilities and others		3,593	6
Cash provided by (used for) operating activities		**80**	**(670)**
Investing activities			
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	8	(164)	(270)
Payments for long-term financial assets		(449)	(532)
Proceeds from long-term financial assets		306	1,935
Dividends received		34	45
Payments for investments in securities		(2,687)	(1,874)
Proceeds from disposals of securities		2,361	1,845
Cash provided by (used for) investing activities		**(599)**	**1,149**
Financing activities			
Increase in financing liabilities		0	0
Repayment of financing liabilities		0	(2,180)
Change in current accounts Airbus companies		1,901	(326)
Cash distribution to Airbus SE shareholders		(1,280)	(1,161)
Changes in capital		138	117
Changes in Treasury shares		(31)	(49)
Cash provide by (used for) financing activities		**728**	**(3,599)**
Effect of foreign exchange rate changes on cash and cash equivalents		34	(32)
Net increase in cash and cash equivalents		**243**	**(3,152)**
Cash and cash equivalents at beginning of period		**7,886**	**11,038**
Cash and cash equivalents at end of period	**13**	**8,129**	**7,886**

IFRS Company Statement of Changes in Equity for the years ended 31 December 2019 and 2018

(In € million)	Capital stock	Share premium	Retained earnings	Legal reserves (1) Financial assets at fair value	Legal reserves (1) Cash flow hedges	Treasury shares	**Total equity**
Balance at 1 January 2018	**775**	**2,826**	**7,753**	**90**	**(1)**	**(2)**	**11,441**
Profit for the period	0	0	(227)	0	0	0	(227)
Other comprehensive income	0	0	0	(59)	1	0	(58)
Total comprehensive income of the period	*0*	*0*	*(227)*	*(59)*	*1*	*0*	*(285)*
Capital increase	2	115	0	0	0	0	117
Share-based payments (IFRS 2)	0	0	43	0	0	0	43
Cash distribution to Airbus SE shareholders	0	0	(1,161)	0	0	0	(1,161)
Change in treasury shares	0	0	0	0	0	(49)	(49)
Balance at 31 December 2018	**777**	**2,941**	**6,408**	**31**	**0**	**(51)**	**10,106**
Profit for the period	0	0	(3,665)	0	0	0	(3,665)
Other comprehensive income	0	0	0	143	0	0	143
Total comprehensive income of the period	*0*	*0*	*(3,665)*	*143*	*0*	*0*	*(3,522)*
Capital increase	7	614	0	0	0	0	621
Share-based payments (IFRS 2)	0	0	76	0	0	0	76
Cash distribution to Airbus SE shareholders	0	0	(1,280)	0	0	0	(1,280)
Change in treasury shares	0	0	0	0	0	(31)	(31)
Balance at 31 December 2019	**784**	**3,555**	**1,539**	**174**	**0**	**(82)**	**5,970**

(1) The distribution of legal reserves is restricted by Dutch law.

Notes to the IFRS Company Financial Statements

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Contents

4.

Notes to the **IFRS Company Financial Statements**

4.1 Basis of Presentation

1. The Company

The Company's principal activity is acting as a holding and management company for the subsidiaries of **Airbus SE**, the "Company", a listed company in the form of a European public limited-liability company (Societas Europaea), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands) and registered at the Dutch Commercial Register (Handelsregister) in The Hague under number 24288945. The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Financial Statements were authorised for issue by the Company's Board of Directors on 12 February 2020.

2. Significant Accounting Policies

Basis of preparation — The Company's Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") and with Part 9 of Book 2 of the Netherlands Civil Code. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

In the Company Financial Statements of Airbus SE, unless otherwise disclosed, the same accounting principles have been applied as set out in the Notes to the Consolidated Financial Statements, except for the valuation of the investments as presented under investments in subsidiaries and associates in the Company Financial Statements. These policies have been consistently applied to all years presented.

In the Company Financial Statements, the investments in subsidiaries and associates are recorded at acquisition cost. In the Company Statement of Income, dividends received from investments are recorded as dividend income.

Due to this application, the Company equity and net result are not equal to the consolidated equity and net result. A reconciliation of the total shareholders' equity and profit for the period is presented in Note 12 "Total Equity" to the Company Financial Statements.

The Company Financial Statements have been prepared on a historical cost basis, except for the equity instruments, securities and derivative instruments that have been measured at fair value.

Regarding the application of new, revised or amended IFRS issued and applying from January 1, 2019 and issued but not yet applied please refer to Note 4 "Change in Accounting Policies and Disclosure" of the Group's Consolidated Financial Statements. The implementation of IFRS 16 and IFRIC 23 has had no significant impact on the financial statement of the company.

In addition, no material changes are expected in the Company Financial Statements of Airbus SE from the implementation of the new standards not yet applied. Further information about Share-Based Payments and Employee Stock Ownership Plans (ESOP) is presented in Note 32 and information about Remuneration is presented in Note 33 of the Consolidated Financial Statements.

A number of new or revised standards, amendments and improvements to standards as well as interpretations are not yet effective for the year ended 31 December 2019 and have not been applied in preparing these Consolidated Financial Statements and early adoption is not planned:

Standards and amendments	IASB effective date for annual reporting periods beginning on or after	Endorsement status
Amendments to References to the Conceptual Framework in IFRSs	1 January 2020	Endorsed
Amendments to IFRS 3: Definition of a business	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020	Endorsed
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	1 January 2020	Not yet endorsed
IFRS 17 "Insurance Contracts"	1 January 2021	Not yet endorsed

The information with regard to Capital Management is disclosed in Note 33, further information about Litigation and Claims refers to Note 38 and Events after the Reporting Date are disclosed in Note 40 of the Group's Consolidated Financial Statements.

Unless reference is made to the accounting policies described in the Consolidated Financial Statements, the main accounting policies applied in the preparation of these Company Financial Statements are described in each accounting area. These accounting policies have been consistently applied to all financial years presented, unless otherwise stated.

3. Key Estimates and Judgements

The preparation of the Company Financial Statements requires the use of estimates and assumptions. In preparing these Financial Statements, management exercises its best judgement based upon its experience and the circumstances prevailing at that time. The estimates and assumptions are based on available information and conditions at the end of the financial period presented and are reviewed on an ongoing basis.

The details regarding the use of estimates and judgements are described in Note 3 "Use of Estimates and Judgements" of the Consolidated Financial Statements.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in Note 8 "Investments in Subsidiaries, Associates and Participations" of the Company Financial Statements.

4. Related Party Transactions

Key Management Personnel

The details regarding the compensation of key management personnel are described in Note 8 "Related Party Transactions" of the Consolidated Financial Statements.

Intercompany Transactions

A comprehensive exchange of internal services between the subsidiaries of a multinational corporation like Airbus SE is common practice. In its responsibility as holding company to manage its subsidiaries and to assist the business activities conducted by companies of the Airbus and its subsidiaries, Airbus SE applies transfer prices for its business activities in conformity with market levels and in accordance with national and international tax requirements (arm's length principle).

The following table discloses the related party intercompany transactions in 2019 and 2018:

(In € million)	**Transactions with subsidiaries 2019**	**Transactions with associates 2019**	Transactions with subsidiaries 2018	Transactions with associates 2018
Rendering of services, dividend income and interest income	233	39	501	61
Purchases of services, investment charge and interest expenses	(185)	(2)	(256)	(3)
Receivables at 31 December	10,316	96	9,791	95
Payables at 31 December	(35,365)	(1,011)	(33,056)	(965)
Hedge relationships receivables as of 31 December	3,761	0	3,793	0
Hedge relationships payables as of 31 December	(793)	0	(3,921)	0

For further information about granted guarantees to subsidiaries please refer to Note 10 "Commitments and Contingencies" of the Company Financial Statements.

4.2 Company Performance

5. Total Operating Result

(In € million)	2019	2018
Operating income	**159**	**393**
Corporate services rendered to Airbus companies	159	393
Operating expenses	**(3,844)**	**(270)**
Service fees charged by Airbus companies	(45)	(119)
Administrative expenses	(3,799)	(151)
Income from investments	**34**	**46**
Dividends received from Airbus companies	34	46
Impairment reversal	0	0
Expense from investments	**0**	**(369)**
Gain (loss) on disposal of investments	1	(369)
Total operating result	**(3,650)**	**(200)**

Administrative expenses increased by € 3,648 million to € 3,799 million (2018: € 151 million), mainly due to the final agreements reached with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO) and the U.S. Department of State (DoS). For further information, see "– Note 38: Litigation and Claims" of the Consolidated Financial Statements.

6. Total Financial Result

(In € million)	2019	2018
Interest result(1)	**26**	**38**
Interest income from securities measured at fair value through OCI	87	96
Interest income from securities measured at fair value through P&L	26	15
Interest income on financial assets measured at amortised cost	89	122
Interest expense on financial liabilities measured at amortised cost	(176)	(195)
Other financial result	**(36)**	**(33)**
Option liability exchangeable bond	31	33
Change in fair value measurement of financial assets	(79)	(44)
Other	12	(22)
Total financial result	**(10)**	**5**

The Company is acting as a financial market agent on behalf of its subsidiaries, therefore the fair value changes of derivatives are reported on a net basis.

7. Income Tax

The Company is tax registered in the Netherlands. The Company is heading a fiscal unity, which also includes Airbus Group Finance 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.

Income taxes — The tax expense for the year comprises deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in Other Comprehensive Income.

The amount of income tax included in the Income Statement is determined in accordance with the rules established by the tax authorities in the Netherlands, based on which income taxes are payable or recoverable.

Deferred tax assets and/or liabilities, arising from temporary differences between the carrying amounts of assets and liabilities and the tax base of assets and liabilities, are calculated using the substantively enacted tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised.

The expense for income taxes is comprised of the following:

(In € million)	**2019**	2018
Current tax expense	0	0
Deferred tax expense	(5)	(32)
Total	**(5)**	**(32)**

The following table shows reconciliation from the theoretical tax income (expense) using the Dutch corporate tax rate to the reported tax income (expense):

(In € million)	**2019**	2018
Profit before income taxes	(3,660)	(195)
* Corporate income tax rate	25.0%	25.0%
Expected income (expense) for income taxes	**915**	**42**
Non-deductible final agreements reahed with PNF, SFO and DoS	(899)	0
Non-taxable income from investment and associates	(10)	(80)
Option liability exchangeable bond	7	7
Income from other companies within the fiscal unity	(1)	(1)
Impairment of deferred tax stock	0	12
Other non-deductable expenses and tax-free incomes	(17)	(13)
Reported tax income (expense)	**(5)**	**(32)**

The first tranche of tax loss carry forwards (€ 22 million) will expire by the end of 2027.

Deferred income taxes as of 31 December 2019 are related to the following assets and liabilities:

	1 January 2019		Other movements		Movement through income statement	**31 December 2019**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Securities	0	(8)	(42)	0	0	0	(50)
Financial instruments	0	(1)	0	0	(5)	0	(6)
Net operating loss and tax loss carry forwards	21	0	0	0	11	22	0
Deferred tax assets (liabilities) before offsetting	**21**	**(9)**	**(42)**	**0**	**5**	**22**	**(56)**
Set-off	(9)	9	0	0	0	(22)	22
Net deferred tax assets (liabilities)	**12**	**0**	**(42)**	**0**	**5**	**0**	**(34)**

Deferred income taxes as of 31 December 2018 are related to the following assets and liabilities:

	1 January 2018		Other movements		Movement through income statement	**31 December 2018**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Securities	0	(31)	22	0	0	0	(9)
Financial instruments	0	(9)	0	0	8	0	(1)
Net operating loss and tax loss carry forwards	62	0	0	0	(41)	21	0
Deferred tax assets (liabilities) before offsetting	**62**	**(40)**	**22**	**0**	**(33)**	**21**	**(9)**
Set-off	(40)	40	0	0	0	(9)	9
Net deferred tax assets (liabilities)	**22**	**0**	**22**	**0**	**0**	**12**	**0**

Details of deferred taxes recognised cumulatively in equity are as follows:

	31 December	
(In € million)	**2019**	2018
Financial instrument at fair value through OCI	(50)	(9)
Total	**(50)**	**(9)**

4.3 Operational Assets and Liabilities

8. Investments in Subsidiaries, Associates and Participations

(In € million)	Subsidiaries	Associates	Participations	**Total**
Balance at 1 January 2018	**15,362**	**21**	**1,193**	**16,576**
Additions	200	0	22	222
Share-based payments (IFRS 2)	43	0	0	43
Fair value changes through Profit or Loss	0	0	(44)	(44)
Other adjustments	0	0	0	0
Balance at 31 December 2018	**15,605**	**21**	**1,171**	**16,797**
Additions	164	0	2	166
Share-based payments (IFRS 2)	76	0	0	76
Fair value changes through Profit or Loss	0	0	(79)	(79)
Balance at 31 December 2019	**15,845**	**21**	**1,094**	**16,960**

Investments in Subsidiaries, Associated Companies and Participations

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from the Company's subsidiaries and associated companies is recognised when the right to receive payment is established.

The participations are stated at fair value with changes in fair value recognised in Profit and Loss.

For the purpose of impairment testing all consolidated subsidiaries are allocated to Cash Generating Units ("CGU") in a way they are monitored for internal management purposes. At each balance sheet date, the Company reviews whether there is an indication that a CGU to which its investments in subsidiaries and associated companies belong to are impaired.

An indication for impairment of the investments in subsidiaries and associated companies may include, respectively, management's downward adjustment of the strategic plan or a significant decrease in the share price of a publicly listed company. Further indications for impairment of its investments may include other areas where observable data indicates that there is a measurable decrease in the estimated future cash flows. These determinations require significant judgement. In making this judgement, management evaluates, among other factors, the financial performance of and business outlook for its investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the amount, if any, of the impairment loss. An investment is impaired if its recoverable amount is lower than its carrying value. The recoverable amount is defined as the higher of an investment's fair value less costs to sell and its value in use.

The determination of the investment's value in use is based on calculations using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates. The discounted cash flow method is used to determine the recoverable amount of a CGU to which its investments in subsidiaries and associated companies belong. The discounted cash flow method is particularly sensitive to the selected discount rates and estimates of future cash flows by management. Key assumptions used to determine the recoverable value of the CGU are the expected future labour expenses, future interest rates, future exchange rates to translate into euro the portion of future US dollar and pound sterling which are not hedged and the estimated growth rate of terminal values.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. Any impairment loss is recognised immediately in the Income Statement.

Impairment losses recognised in prior periods shall be reversed only if there has been a change in the estimates or external market information used to determine the investment's recoverable amount since the last impairment loss was recognised. The recoverable amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The annual impairment test performed in 2019 led to no impairment charge (2018: € 0 million).

Change of Investments in Subsidiaries

On 1 March 2019, Airbus SE acquired 100% of the shares in Lalux SE, a Société anonyme de Réassurance for a total amount of € 81 million. On 29 July 2019, LALUX SE has been merged into Aero Ré SA.

On 15 July 2019, Airbus SE entered into a partnership agreement to establish a corporate venture capital fund, dubbed Airbus Venture Fund III. The capital contribution of Airbus SE is € 26 million.

On 13 December 2019, Airbus SE contributes its 100% subsidiary DADC Luft-und Raumfahrt Beteiligung GmbH to its subsidiary Airbus Defence and Space GmbH. In return for this contribution, Airbus SE received additional shares in Airbus Defence and Space GmbH for an equivalent amount.

On 29 November 2019, Airbus SE made a further capital contribution of € 35 million into Airbus Proj BV.

During the year 2019, Airbus SE made further capital contributions into Airbus Ventures Fund II for a total amount of € 23 million (2018: € 35 million).

On 6 February 2018, Airbus SE internally acquired 49.10% of the share in Aero Ré SA for a total amount of € 9 million. On 17 December 2018, Airbus SE made a capital contribution of € 25 million into Aero Ré SA.

On 26 July 2018, Airbus SE made a further capital contribution of € 200 million into Airbus Group Bank GmbH.

On 26 September 2018, Airbus Defense and Space Holding BV has been merged into Airbus SE with retroactive reflect on 1 January 2018. The impact of this merge in the financial statement of Airbus SE is a loss of € 369 million mainly due to the irrecoverability of IC loan and current accounts. Airbus SE is the new stakeholder of Airbus Defence and Space Netherland BV and Airbus Defence and Space Limited, and increase is stake in Airbus SAS and Airbus Defence and Space GmbH.

On 4 December 2018, Airbus SE contributed its 100% subsidiary Airbus Helicopters Holding SAS to its subsidiary Airbus SAS for a total amount of € 991 million. In return for this contribution, Airbus SE received additional shares in Airbus SAS for an equivalent amount.

During the year 2018, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of € 35 million.

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2019	2018	Company	Head office
%			
100.00	100.00	Aero Ré S.A.	Bertrange (Luxembourg)
88.02	74.29	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	100.00	Airbus Defence and Space Limited	Stevenage (UK)
100.00	100.00	Airbus Defence and Space Netherlands B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
100.00	100.00	Airbus Bank GmbH	Munich (Germany)
100.00	100.00	Airbus Finance B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Group Limited.	London (UK)
100.00	100.00	Airbus Group Proj B.V.	Leiden (Netherlands)
95.78	95.78	Airbus S.A.S.	Toulouse (France)
0.00	100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
9.90	9.89	Dassault Aviation S.A.	Paris (France)
0.00	100.00	OOO “EADS”	Moscow (Russia)
100.00	100.00	Premium Aerotec GmbH	Augsburg (Germany)

Percentages represent share held directly by Airbus SE.

9. Financial Assets and Financial Liabilities

Financial assets at 31 December 2019 and 2018:

	31 December	
(In € million)	**2019**	**2018**
Long-term loans Airbus companies[1]	1,794	1,468
Long-term loans external	0	0
Positive fair values of derivative financial instruments	3,066	1,882
Non-current financial assets	**4,860**	**3,350**
Positive fair values of derivative financial instruments	1,777	1,912
Current portion long-term loans Airbus companies	44	240
Current accounts Airbus companies[1]	8,574	8,013
Current financial assets	**10,395**	**10,165**
Total	**15,255**	**13,516**

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus SE. Terms and conditions are in agreement with the prevailing market environment.

Financial liabilities at 31 December 2019 and 2018:

	31 December	
(In € million)	**2019**	**2018**
Negative fair values of derivative financial instruments	2,898	2,015
Non-current financial liabilities	**2,898**	**2,015**
Negative fair values of derivative financial instruments	1,793	1,906
Current accounts Airbus companies[1]	32,510	30,175
Current financial liabilities	**34,303**	**32,081**
Total	**37,201**	**34,096**

(1) The receivables from and liabilities to subsidiaries include mainly transactions in connection with the cash pooling in Airbus SE. Terms and conditions are in agreement with the prevailing market environment.

10. Commitments and Contingencies

Off-Balance Sheet Commitments

Airbus SE issued guarantees on behalf of Airbus companies in the amount of € 7,040 million (2018: € 5,898 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 20 “Property, Plant and Equipment”, Note 27 “Sales Financing Transactions” and Note 37 “Information about Financial Instruments” of the Consolidated Financial Statements.

On 8 December 2015, Airbus SE entered into a partnership agreement to establish a corporate venture capital fund, dubbed Airbus Group Ventures, as well as a technology and business innovation center in Silicon Valley with a total commitment amount of US$ 150 million. On 25 November 2015, a first investment of US$ 5 million has been made into this fund. During the year 2019, Airbus SE made further capital contributions into Airbus Ventures Fund II for a total amount of US$ 28 million (total capital contribution 31 december 2018: € 74 million).

On 1 April 2019, Airbus SE entered into a partnership agreement with effective date 1 July 2019 to establish a venture capital fund, dubbed Airbus Ventures Fund III, with a total commitment amount of US$ 100 million. On 28 August 2019, a first investment of US$ 5 million has been made into this fund. During the year 2019, Airbus SE made further capital contributions into Airbus Ventures Fund III for a total amount of US$ 21 million.

4.4 Employees

11. Number of Employees

The average number of the persons employed by the Company in 2019 was 1 (2018: 2). The employees are situated in the Netherlands.

4.5 Capital Structure and Financial Instruments

12. Total Equity

Airbus's shares are exclusively ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares issued and fully paid:

(In number of shares)	**2019**	2018
Issued as at 1 January	**776,367,881**	**774,556,062**
Issued for ESOP	1,784,292	1,811,819
Issued for convertble Bond	5,020,942	0
Issued as at 31 December	**783,173,115**	**776,367,881**
Treasury shares as at 31 December	(862,610)	(636,924)
Outstanding as at 31 December	**782,310,505**	**775,730,957**
Authorised shares	**3,000,000,000**	**3,000,000,000**

Holders of ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of € 1.784.292 (in 2018: € 1.811.819) in compliance with the implemented stock option plans and the Employee Stock Ownership Plans ("ESOP") and the conversion of € 5.020.942 in relation to the convertible bond issued in July 2015 redeemable in shares.

Share premium mainly results from contributions in kind in the course of the creation of the Company, cash contributions from the Initial Public Offering, capital increases and reductions due to the issuance and cancellation of shares.

Retained earnings include mainly the profit of the period and cash dividend payments to Airbus SE shareholders.

On 10 April 2019, the Shareholders' General Meeting decided to distribute a gross amount of € 1.65 per share, which was paid on 17 April 2019. For the fiscal year 2019, the Company's Board of Directors proposed at the Annual General Meeting of Shareholders that the Loss for the period of € 3,665 million as shown in the income statements for the financial year 2019 is to be added to retained earnings and that a payment of a gross amount of € 1.80 per share shall be made to the shareholders out of retained earnings.

Legal reserves includes:

- change from ***financial assets at fair value*** (see Note 13.2 "Carrying Amounts and Fair Values of Financial Instruments");
- change in fair value of derivatives designated as ***cash flow hedges*** (see Note 13.2 "Carrying Amounts and Fair Values of Financial Instruments").

According to Dutch law, the OCI is considered to be a Legal Reserve and therefore distribution is restricted.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2019, the number of treasury stock held by the Company increase to 862,610 compared to 636,924 as of 31 December 2018. No shares were sold back to the market nor cancelled in 2019 (in 2018: 0 shares).

Authorisations Granted by the Shareholders' General Meeting of Airbus SE Held on 10 April 2019

On 10 April 2019, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2020, to issue shares and to grant rights to subscribe for shares in the Company's share capital for the purpose of:

- ESOPs and share-related LTIPs, provided that such powers shall be limited to an aggregate of 0.14% of the Company's authorised share capital (see "– Note 32: Share-Based Payment");
- funding the Company and its subsidiaries, provided that such powers shall be limited to an aggregate of 0.3% of the Company's authorised share capital (see "– Note 36.3: Financing Liabilities").

For each operation, such powers shall not extend to issuing shares or granting rights to subscribe for shares if there is no preferential subscription right and for an aggregate issue price in excess of € 500 million per share issuance.

Also on 10 April 2019, the AGM authorised the Board of Directors for an 18 months period to repurchase up to 10% of the Company's issued share capital 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.

Furthermore, the AGM authorised both the Board of Directors and the CEO, with powers of substitution, to establish the exact number of the relevant shares to be cancelled.

Reconciliation Consolidated to Company Equity and Net Income

The difference between the total shareholders' equity according to the Consolidated Financial Statements and Company's Financial Statements as at 31 December 2019 and 2018 is as follows:

(In € million)	**2019**	**2018**
Consolidated equity	**5,975**	**9,724**
OCI - Restatement of investments from Consolidated to Company Financial Statements	697	(103)
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(916)	(486)
Retained Earnings - Valuation investments at historical cost	1,487	2,071
Retained Earnings - Impairment of financial assets	(1,273)	(1,099)
Company's equity	**5,970**	**10,106**

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2019 and 2018 is as follows:

(In € million)	**2019**	2018
Consolidated net income	**(1,362)**	**3,054**
Income from investments according to Consolidated Financial Statements	(2,303)	(3,007)
Income from investments according to Company Financial Statements	34	46
Loss on / Impairment of financial assets	(31)	(369)
Other valuation differences	7	49
Company's net income (Profit or loss for the period)	**(3,665)**	**(227)**

13. Cash, Securities and Financing Liabilities

13.1 Net Cash

	31 December	
(In € million)	**2019**	2018
Cash and Cash equivalents	8,129	7,886
Current Securities	2,255	2,073
Non-Current Securitries	10,811	10,473
Gross Cash position	**21,195**	**20,432**
Short-term financing liabilities	(6,580)	(6,746)
Long-term financing liabilities	0	0
Total	**14,615**	**13,686**

13.2 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2019**	2018
Bank accounts and petty cash	463	326
Short-term securities (at fair value through profit or loss)	7,014	6,576
Short-term securities (at fair value through OCI)	652	984
Total cash and cash equivalents	**8,129**	**7,886**

Only securities with a maturity of three months or less from the date of the acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value are recognised in cash equivalents.

13.3 Securities

	31 December	
(In € million)	**2019**	2018
Current securities at fair value through OCI	2,255	2,073
Non-current securities at fair value through OCI	10,811	10,135
Non-current securities at fair value through profit or loss	0	338
Total securities	**13,066**	**12,546**

Included in the securities portfolio as of 31 December 2019 and 2018, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,586 million nominal value; 2018: € 12,067 million) or floating rate coupons (€ 121 million nominal value; 2018: € 479 million).

13.4 Financing Liabilities

Current and non-current classification – A financial asset or liability is classified as current if it is settled within 12 months after the reporting date, and as non-current otherwise.

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, and borrowing received from joint ventures and other parties.

The Company has received several euro-denominated loans and one US dollar-denominated loan from Airbus Finance B.V. ("AFBV"). It has also issued a convertible bond in euro and euro-denominated exchangeable bonds into Dassault Aviation shares and 2 stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the Development Bank of Japan ("DBJ"). The terms and repayment schedules of these bonds and loans are as follows:

	Principal amount (in million)	Carrying amount 31 December 2019	2018	Coupon or interest rate	Effective interest rate	Maturity	Additional features
Loans from Airbus Finance B.V.							
AGFBV 10 years (EMTN)	€ 1,000	€ 1,048	€ 1,038	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AGFBV 15 years (EMTN)	€ 500	€ 555	€ 523	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AGFBV 10 years (EMTN)	€ 600	€ 617	€ 594	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AGFBV 15 years (EMTN)	€ 900	€ 940	€ 866	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
AGFBV US$ Loan 10 years	US$ 1,000	€ 896	€ 848	2.72%	2.80%	Apr. 2023	Interest rate swapped into 3M US-Libor +0.68%
Loans from financial institutions							
DBJ 10 years	US$ 100	€ 89	€ 87	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
Bond							
Convertible bond 7 years	€ 500	€ 0	€ 477	0.00%	1.39%	July 2022	Convertible into Airbus SE shares at € 99.54 per share
Exchangeable bond 5 years	€ 1,078	€ 1,068	€ 1,061	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at € 1,306.25 per share
US$ Bond 10 years	US$ 750	€ 687	€ 632	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US$ Bond 30 years	US$ 750	€ 680	€ 621	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Total		**€ 6,580**	**€ 6,746**				
Thereof non-current financing liabilities		**€ 6,580**	**€ 6,746**				
Thereof current financing liabilities		**0**	**€ 0**				

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € 166 million to € 6,580 million (2018: € 6,746 million). The decrease in long-term financing liabilities is mainly related to the conversion of the convertible bond issued in July 2015 for an amount of € 500 million into 5,020,942 shares. The conversion price was € 99.54 per ordinary share. The conversion rate was 99.96%.

The Company can issue commercial paper under the so called "*billet de trésorerie*" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of € 2 billion, increased in 2013 to a maximum volume of € 3 billion. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016. As of 31 December 2019, there were no outstanding amounts under those commercial paper. The commercial paper issuance activity was limited during the course of 2019.

Reconciliation of liabilities arising from financing liabilities:

(In € million)	Balance at 1 January 2019	Cash flows	Non-cash movements: Fair value through profit or loss	Foreign exchange movements	Others	**Balance at 31 December 2019**
Bonds and commercial papers	2,791	0	88	25	(469)	2,435
Liabilities to financial institutions	87	0	0	2	0	89
Loans from Airbus Finance B.V.	3,868	0	168	17	3	4,056
Total	**6,746**	**0**	**256**	**44**	**(466)**	**6,580**

(In € million)	Balance at 1 January 2018	Cash flows	Non-cash movements: Fair value through profit or loss	Foreign exchange movements	Others	**Balance at 31 December 2018**
Bonds and commercial papers	2,750	0	(32)	59	14	2,791
Liabilities to financial institutions	1,715	(1,680)	7	46	0	87
Loans from Airbus Finance B.V.	4,300	(500)	24	40	3	3,868
Total	**8,765**	**(2,180)**	**(1)**	**(144)**	**18**	**6,746**

14. Information about Financial Instruments

14.1 Financial Risk Management

The Company acts as an intermediary for its subsidiaries when they wish to enter into derivative contracts to hedge against foreign exchange risk or other market risks such as interest rate risk, commodity price risk or equity price risk. The Company's practice is to set up a derivative contract with a subsidiary and at the same time enter into a back-to-back derivative transaction with a bank. Contracts with subsidiaries being thus mirrored (on a one-to-one basis) by contracts with banks, the Company's net exposure is virtually zero. There are, however, a few derivative contracts the Company holds in order to hedge its own market risk exposure.

As the Company's back-to-back hedge contracts are entered into with different counterparties, their fair values are reflected separately in the statement of Financial Position and recognised as other financial assets and financial liabilities as disclosed in Note 8 "Financial assets and liabilities" of the Company Financial Statements.

In the Statement of Income the results of the back-to-back hedge transactions, both realised and unrealised, are presented on a net basis as the Company acts as an agent for its subsidiaries.

The Company's overall financial risk management activities and their objectives are described in detail in section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Market Risk

Foreign exchange risk — The Company manages a long−term hedge portfolio with maturities of several years for its subsidiaries, mainly Airbus, and to a small extent for its joint ventures or associates. This hedge portfolio covers a large portion of Airbus Group's firm commitments and highly probable forecast transactions. As explained above, owing to the Company's back-to-back approach, its own exposure to foreign exchange risk is very limited.

Interest rate risk — The Company uses an asset-liability management approach with the objective to limit its interest rate risk. The Company undertakes to match the risk profile of its interest-bearing assets with those of its interest-bearing liabilities, the remaining net interest rate exposure being managed through several types of interest rate derivatives. If the derivative instruments qualify for hedge accounting in the Company Financial Statements the Company applies cash flow hedge accounting or fair value hedge accounting. For more information on the risk management and hedging strategies used by the Group please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

Equity price risk — The Company is to a small extent invested in quoted equity securities mainly for operational reasons. The Company's exposure to equity price risk is hence limited. Furthermore, Airbus Group is exposed under its long-term incentive plan (LTIP) to the risk of Airbus Group share price movements. In order to limit these risks for the Group, the Company enters into equity derivatives that reference the Airbus Group SE share price.

Sensitivities of market risks — the approach used to measure and control market risk exposure within the Group's financial instrument portfolio is amongst other key indicators the value−at−risk ("VaR"). For information about VaR and the approach used by the Company to assess and monitor sensitivities of market risks please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The Company is part of the Group risk management process, which is more fully described in section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

A summary of the VaR position of the Company's financial instruments portfolio at 31 December 2019 and 31 December 2018 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2019				
Foreign exchange hedges	41	0	41	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	51	34	42	36
Equity swaps	3	3	0	0
Diversification effect	(48)	(2)	(76)	(1)
All financial instruments	**47**	**35**	**7**	**36**
31 December 2018				
Foreign exchange hedges	35	0	35	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	52	34	35	24
Equity swaps	3	3	0	0
Diversification effect	(51)	(2)	(68)	0
All financial instruments	**39**	**35**	**2**	**24**

The increase in the total VaR compared to 31 December 2018 is mainly attribuable to Interest Rate due to IR curve change and modelisation Update. The exposure increase despite a decrease of market volatilitiy on EUR/USD. The derivative instruments entered into with Group-external counterparties are passed on a 1:1 basis to Airbus Group entities. As a result, the respective market risks of the Group-external derivatoive instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its own and the Group's present and future commitments as they fall due. For information on how the Group monitors and manages liquidity risk, please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

The contractual maturities of the Company financial liabilities, based on undiscounted cash flows and including interest payments, if applicable, are as follows:

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year- 2 years	2 years- 3 years	3 years- 4 years	4 years- 5 years	More than 5 years
31 December 2019								
Non-derivative financial liabilities	(6,580)	(7,773)	(125)	(1,291)	(124)	(1,015)	(1,100)	(4,118)
Derivative financial liabilities	(4,691)	(6,188)	(1,741)	(1,804)	(1,421)	(862)	(298)	(62)
Total	**(11,272)**	**(13,961)**	**(1,866)**	**(3,095)**	**(1,545)**	**(1,877)**	**(1,398)**	**(4,180)**
31 December 2018								
Non-derivative financial liabilities	(6,746)	(7,766)	(48)	(48)	(1212)	(547)	(921)	(4,990)
Derivative financial liabilities	(3,921)	(4,768)	(2,085)	(1,160)	(856)	(427)	(160)	(80)
Total	**(10,667)**	**(12,534)**	**(2,133)**	**(1,208)**	**(2,068)**	**(974)**	**(1,081)**	**(5,070)**

Credit Risk

The Company is exposed to credit risk to the extent of non-performance by its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. However, it has policies in place to avoid concentrations of credit risk and to ensure that credit risk is limited.

As far as central treasury activities are concerned, credit risk resulting from financial instruments is managed by the Company. In order to ensure sufficient diversification, a credit limit system is used.

The Company monitors the performance of the individual financial instruments and the impact of market developments on their performance and takes appropriate action on foreseeable adverse development based on pre-defined procedures and escalation levels.

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment.

The booked amount of financial assets represents the maximum credit exposure. The credit quality of financial assets can be assessed by reference to external credit rating (if available) or internal assessment of customers' creditworthiness by way of internal risk pricing methods.

In 2019, the total receivables, neither past due nor impaired amount to € 33 million (in 2018: € 250 million).

The Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the newt 12 months, unless the credit risk on a financial instrument has increased significantly since initial recognition, as described in section 35.7 "Impairment losses" of the Notes to the Consolidated Financial Statements. In 2019, an amount of € 31 million of impairment losses on financial assets is recognised in profit and loss (2018: € 0 million).

14.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments – The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. The Company's financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Group. Please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

The Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IFRS 9 "Financial Instruments") into classes based on their category in the statement of financial position.

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2019:

			Financial assets and liabilities at amortised cost		**Financial instrument Total**	
(In € million)	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	**Book value**	**Fair value**
Assets						
Other investments and long−term financial assets						
• Equity instruments	1,094	0	0	0	**1,094**	**1,094**
• Loans	0	0	1,838	1,895	**1,838**	**1,895**
Trade receivables	0	0	32	32	**32**	**32**
Other financial assets						
• Derivative instruments	4,843	0	0	0	**4,843**	**4,843**
• Current account Group companies	0	0	8,574	8,574	**8,574**	**8,574**
Securities	0	13,066	0	0	**13,066**	**13,066**
Cash and cash equivalents	7,014	652	463	463	**8,129**	**8,129**
Total	**12,951**	**13,718**	**10,907**	**10,964**	**37,576**	**37,633**
Liabilities						
Financing liabilities						
• Issued bonds and commercial papers	0	0	2,435	2,517	**2,435**	**2,517**
• Liabilities to financial institutions and others	0	0	89	90	**89**	**90**
• Internal loans payable	0	0	4,056	4,180	**4,056**	**4,180**
Other financial liabilities						
• Derivative instruments	4,691	0	0	0	**4,691**	**4,691**
• Current accounts Group companies	0	0	32,510	32,510	**32,510**	**32,510**
Total	**4,691**	**0**	**39,090**	**39,297**	**43,781**	**43,988**

The following table presents the carrying amounts and fair values of financial instruments by class and by IFRS 9 measurement category as of 31 December 2018:

	Fair value through profit or	Fair value	Financial assets and liabilities at amortised cost		**Financial instrument Total**	
(In € million)	loss	through OCI	Amortised cost	Fair value	**Book value**	**Fair value**
Assets						
Other investments and long−term financial assets						
• Equity instruments	1,171	0	0	0	**1,171**	**1,171**
• Loans	0	0	1,708	1,739	**1,708**	**1,739**
Trade receivables	0	0	165	165	**165**	**165**
Other financial assets						
• Derivative instruments	3,794	0	0	0	**3,794**	**3,794**
• Current account Group companies	0	0	8,013	8,013	**8,013**	**8,013**
Securities	338	12,208	0	0	**12,546**	**12,546**
Cash and cash equivalents	6,576	984	326	326	**7,886**	**7,887**
Total	**11,879**	**13,192**	**10,212**	**10,243**	**35,283**	**35,315**
Liabilities						
Financing liabilities						
• Issued bonds and commercial papers	0	0	2,813	2,832	**2,813**	**2,832**
• Liabilities to financial institutions and others	0	0	87	88	**87**	**88**
• Internal loans payable	0	0	3,846	3,950	**3,846**	**3,950**
Other financial liabilities						
• Derivative instruments	3,921	0	0	0	**3,921**	**3,921**
• Current accounts Group companies	0	0	30,175	30,175	**30,175**	**30,175**
Total	**3,921**	**0**	**36,922**	**37,045**	**40,842**	**40,966**

Fair Value Hierarchy

For further details please refer to Note 35.2 "Carrying Amounts and Fair Values of Financial Instruments" in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2019 and 2018, respectively:

	31 December 2019			31 December 2018		
(In € million)	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,094	0	1,094	1,171	0	1,171
Derivative instruments	0	4,843	4,843	0	3,794	3,794
Securities	13,066	0	13,066	12,546	0	12,546
Cash equivalents	7,014	652	7,666	6,577	984	7,561
Total	**21,174**	**5,494**	**26,669**	**20,294**	**4,778**	**25,072**
Financial liabilities measured at fair value	0	0	0	0	0	0
Derivative instruments	0	(4,691)	(4,691)	0	(3,921)	(3,921)
Other financial liabilities	0	0	0	0	0	0
Total	**0**	**(4,691)**	**(4,691)**	**0**	**(3,921)**	**(3,921)**

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2019 and 2018, respectively, are designated at fair value through profit or loss:

(In € million)	**Nominal amount at initial recognition at 31 December 2019**	Nominal amount at initial recognition at 31 December 2018
Designated at fair value through profit or loss at recognition:		
Money market funds (accumulating)	7,014	6,577
Securities	0	338
Total	**7,014**	**6,915**

The company manages these assets and measures their performance on a fair value basis.

14.3 Potential Effect of Set-Off Rights on Recognised Financial Assets and Liabilities

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2019 and 31 December 2018, respectively:

Derivative instruments				Related amounts not set off in the statement of financial position		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2019						
Financial assets	4,538	0	4,538	(1,480)	0	3,058
Financial liabilities	4,295	0	4,295	(1,480)	0	2,815
31 December 2018						
Financial assets	3,799	0	3,799	(879)	0	2,920
Financial liabilities	3,829	0	3,829	(879)	0	2,950

14.4 Notional Amounts of Derivative Financial Instruments

The notional amount of **interest rate contracts** are as follows, specified by year of expected maturity:

	Remaining period								**Total**
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	
31 December 2019									
Interest rate contracts	0	0	0	890	1,000	0	600	2,735	5,225
Interest rate future contracts	0	0	0	0	0	0	0	0	0
31 December 2018									
Interest rate contracts	0	0	0	0	1,048	1,000	600	1,200	3,848
Interest rate future contracts	215	0	0	0	0	0	0	0	215

The notional amounts of **equity swaps** are as follows:

	Remaining period					Total
(In € million)	1 year	2 years	3 years	4 years	> 4 years	
31 December 2019	37	32	23	9	0	101
31 December 2018	49	37	27	9	0	122

14.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the amounts relating to items designated as hedging instruments and hedge ineffectiveness as of 31 December 2019 under IFRS 9:

	December			
	2019		2018	
	Carrying values		Carrying values	
(In € million)	Asset	Liability	Asset	Liability
Foreign currency risk:				
Net forward sales contracts	0	0	0	0
Foreign exchange options	0	0	0	0
Interest rate risk	236	0	66	95
Commodity swap risk	0	0	0	0
Equity swap risk	0	0	0	0
Total	**236**	**0**	**66**	**95**

14.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2019 and 2018, respectively are as follows:

	December	
(In € million)	**2019**	2018
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(144)	(51)
Designated on initial recognition	(18)	(39)
Financial assets at amortised cost	69	35
Financial assets at fair value through OCI	26	68
Financial assets at fair value through profit or Loss	(81)	(42)
Financial liabilities measured at amortised cost	7	(10)
Total	**(141)**	**(39)**

4.5 Other Notes

15. Audit Fees

Fees related to professional services rendered by the Company's accountant, Ernst & Young Accountants LLP, for the fiscal year 2019 were € 1,505 thousand (in 2018: € 680 thousand). These fees relate to audit services only.

16. Events after the Reporting Date

On 31 January 2020, the Company reached final agreements with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO) and the U.S. Department of State (DoS) (see "– Note 38: Litigation and Claims").

The UK formally exited the EU on 31 January 2020. From 1st February, both parties enter the 'transition period' during which the EU and UK will negotiate additional relationship arrangements. The transition period runs until 31 December 2020.

5.

Other Supplementary Information Including the **Independent Auditor's Report**

Other Supplementary Information

1. Appropriation of Result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The General Meeting of Shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the Company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the Loss for the period of € 3,665 million as shown in the income statements for the financial year 2019 is to be added to retained earnings and that a payment of a gross amount of € 1.80 per share shall be made to the shareholders out of retained earnings.

2. Independent Auditor's Report

To: the General Meeting of Shareholders of Airbus SE

Ernst & Young Accountants LLP
Cross Towers, Antonio Vivaldistraat 150
1083 HP Amsterdam
Postbus 7883
1008 AB Amsterdam

Tel: +31 88 407 10 00
Fax: +31 88 407 10 05
www.ey.com

Independent auditor's report

To: the shareholders and Board of Directors of Airbus SE

Report on the audit of the Financial Statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Airbus SE (the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Airbus SE as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Airbus SE in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

The Company is a global leader in aeronautics, space and related services. The Company is structured in segments and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We refer to the key audit matters for those areas.

We start by determining materiality and by identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 347 million (2018: € 292 million)
Benchmark applied	5 % of the EBIT adjusted [as defined in chapter 5 of the report of the Board of Directors]
Explanation	We consider EBIT adjusted as the most appropriate benchmark as it best aligns with the expectations of those charged with governance at Airbus and of users of the Company's financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Board of Directors ("the Audit Committee") that misstatements in excess of €15 million that are identified during the audit would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the Ethics and Compliance Committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. As the Company is a global company, operating in multiple jurisdictions, we considered the risk of bribery and corruption. We refer to our Key Audit Matters for more details.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgement areas and significant accounting estimates as disclosed in Note 3 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so,
we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We refer to our Key Audit Matters for more details.

Going concern

In order to identify and assess the risks of going concern and to conclude on the on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit

Airbus SE is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Airbus SE.

The entities are grouped into three business segments: Airbus, Airbus Helicopters and Airbus Defence and Space. The audit of the three segments is performed jointly by EY and KPMG. The audit of the entities in scope is performed by either EY or KPMG network firms.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit focused mainly on significant group entities where they are of significant size, have significant risks to the Company associated with them or are considered for other reasons.

In total our audit procedures represent 92% of total consolidated revenue and 88% of total consolidated assets. The remaining 8% of revenues, and 12% of total assets result from entities, none of which individually represents more than 1% of revenues. For those entities, we performed, amongst others, analytical procedures to corroborate our assessment that the financial statements are free from material misstatements.

We executed an audit plan that includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), reviewing and discussing the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its divisions. In our audit instructions, we also included targeted audit procedures that address the A220, A350, A380, A400M programmes as well as the risk of non-compliance with laws and regulations. We furthermore executed file reviews at EY network teams and KPMG. We involved several EY specialists to assist the audit team, including specialists from our tax, actuarial, treasury and compliance departments.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Company's financial information to provide an opinion about the consolidated financial statements.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

This year the settlement agreements reached with the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO) and the US Department of Justice (DoJ) and U.S. Department of State (DoS) were considered as a separate key audit matter considering the significance of the settlements and the importance of appropriate disclosure of rights and obligations in the financial statements regarding these settlements.
The key audit matter "The acquisition of CSALP" which was included in our last year's auditor's report, is not considered a key audit matter for this year as it related to a one off transaction.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Settlement agreements reached with PNF, SFO, DoJ and DoS (Reference is made to the disclosures on Note 38 'Litigations and claims' and Note 40 'Events after the Reporting Date' of the financial statements)	
Risk	Since 2016, the Company was under investigation by the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO), the US Department of Justice (DoJ) and the U.S. Department of State (DoS) for, amongst others, alleged irregularities concerning third party consultants. The Company reported since then in its financial statements that the outcome of these investigations could have a material effect on the Company's financial position. In January 2020, the Company has reached final agreements with the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO) and the US Department of Justice (DoJ) resolving the authorities' investigations into allegations of bribery and corruption, as well as with the U.S. Department of State (DoS) and the DoJ to resolve their

Settlement agreements reached with PNF, SFO, DoJ and DoS **(Reference is made to the disclosures on Note 38 'Litigations and claims' and Note 40 'Events after the Reporting Date' of the financial statements)**	
	investigations into inaccurate and misleading filings made with the DoS pursuant to the U.S. International Traffic in Arms Regulations (ITAR). Under the Agreements, the Company agreed to pay penalties of M€ 3,598, and to comply with certain obligations including monitoring of its anti-corruption and export control programmes for a period of three years. Prosecution will be discontinued if Airbus complies with the terms of the agreement throughout this period, which it has committed to doing. Considering the significance of the settlements and the appropriate disclosure of rights and obligations in the financial statements regarding the settlements, we considered this as a key audit matter.
Our audit approach	We have inspected the settlement agreements between the Company, PNF, SFO, DoJ and DoS and have discussed the Agreements with management, Audit Committee and the internal and external lawyers. We assessed whether the financial consequences as set out in the settlement agreements are appropriately accounted for and disclosed in the financial statements.

Litigation and claims and risk of non-compliance with laws and regulations **(Reference is made to the disclosures on Note 3 'Key estimates and judgements', Note 24 'Provisions, contingent assets and contingent liabilities' and Note 38 'Litigations and claims' of the financial statements)**	
Risk	Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Company's result and its financial position. A part of the Company's business is characterized by competition for individually significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition, the Company operates in a number of territories where the use of commercial intermediaries is normal practice. Certain entities of the group remain under investigation by various law enforcement agencies for amongst others alleged irregularities concerning third party consultants. Breaches of laws and regulations in these areas can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business.

Litigation and claims and risk of non-compliance with laws and regulations (Reference is made to the disclosures on Note 3 'Key estimates and judgments', Note 24 'Provisions, contingent assets and contingent liabilities' and Note 38 'Litigations and claims' of the financial statements)	
Our audit approach	We planned and designed our audit approach to this area in conjunction with our in-house forensic specialists. We evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk. We assessed the overall control environment and evaluated and tested the Company's policies, procedures and controls to identify and assess possible non-compliance. Furthermore we tested the selection process of intermediaries, related contractual arrangements, payments to intermediaries and the company's responses to suspected breaches of policy and non-compliance. We made inquiries of the Board of Directors and the Audit Committee, as well as the Company's internal and external legal advisors as to the areas of potential or suspected breaches of law and regulations relating to bribery, including the status of ongoing investigations. To corroborate the results of those inquiries we vouched information received with objective evidence, third parties and we reviewed related documentation. We maintained a high level of vigilance to possible indications of significant non-compliance with laws and regulations relating to bribery and corruption whilst carrying out our other audit procedures. Accompanied by our own legal advisors we met on several occasions with the Company's external counsel to obtain their views about the status of ongoing investigations as well as their potential impact on the financial statements. We furthermore tested journals and other transactions with unusual characteristics using amongst other data-analytics tools. For (threatened) litigation cases and claims, we gained additional assurance by comparing management's position to the assessment from external parties such as external lawyers in those cases where a high amount of judgement is involved. We assessed that the disclosure in the financial statements reflects the current status of the investigations regarding suspected breaches of law or regulations in accordance with accounting standards. We also assessed the appropriateness of the contingent liability disclosure in the financial statements.

Revenue recognition (Reference is made to the disclosures on Note 2 'Significant Accounting Policies', Note 3 'Key estimates and judgements', Note 10 'Segment Information' and Note 11 'Revenues and gross margin' of the financial statements)	
Risk	The Group revenue recognition is complex due to its wide range of activities (sale of commercial aircraft and helicopters, sale of military aircraft and helicopters, sale of space systems and services), its various types of contracts including non-standard clauses and the duration of some contracts including long-term development activities. Recognition of revenue includes significant judgement and estimates including whether the contracts contain multiple performance obligations which should be accounted for separately and including the determination of the most appropriate method for revenue recognition of these performance obligations. This comprises the identification of potential variable considerations reducing the consideration received, allocation of this consideration to the different performance obligation and assessing if the performance obligations are satisfied over time or at a point in time. In particular the amount of revenue and profit recognized in a year for performance obligations satisfied at a point in time is dependent on the transfer of control and for performance obligations satisfied over time on the assessment of the stage of completion of performance obligations as well as estimated total revenues and estimated total costs.
Our audit approach	Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to revenue recognition according to IFRS15 "Revenue from contracts with customers". In addition we evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls related to the completeness, accuracy and timing of the revenue recognized. We selected individual revenue transactions to assess proper identification of the performance obligations in the contracts and allocation of the consideration amongst the performance obligation (such as the A400M contract and space contracts), the completeness and valuation of the variable considerations (including constraints applied, if applicable) included in the transaction price (notably for A400M contract and residual value guarantee in the sale of some commercial aircrafts) and the timing of transfer of control. In order to evaluate the significant judgements and estimates made by management, we read supporting contractual agreements, met with sales representatives and program teams to understand the nature of the various obligations to be rendered under the contract and discuss specific clauses that could prevent transfer of control (mostly for the sales of commercial aircrafts), obtained evidence of transfer of control such as proof of delivery, examined computation of for progression of costs and assessed the reasonableness of the actual and estimated cost to complete included in the cost-to-cost method for performance obligation recognized over time (notably for A400M development, Tiger and Eurofighter contracts and some border security and space contracts). Finally we determined that the appropriate disclosures were made in the financial statements.

Estimations with respect to the contract margin for the accounting of onerous contracts and the assessment of the contract margin recognized for the significant over-time contracts. (Reference is made to the disclosure on Note 2 'Significant Accounting Policies', Note 3 'Key estimates and judgements', Note 11 'Revenues and gross margin' and Note 24 'Provisions, contingent assets and contingent liabilities' of the financial statements)	
Risk	The Group owns a large portfolio of long-term contracts for which it needs to assess the contract margin in order to record a provision for onerous contract if the margin at completion is expected to be negative and the margin for each performance obligation satisfied overtime to record the associated revenue and costs. Provisions for onerous contracts such as for the A400M are recognized when it becomes probable that the present value of unavoidable costs of fulfilling the obligations under the contract exceeds the present value of economic benefits expected to be received under the contract.

Estimations with respect to the contract margin for the accounting of onerous contracts and the assessment of the contract margin recognized for the significant over-time contracts. (Reference is made to the disclosure on Note 2 'Significant Accounting Policies', Note 3 'Key estimates and judgements', Note 11 'Revenues and gross margin' and Note 24 'Provisions, contingent assets and contingent liabilities' of the financial statements)	
	The determination of these contract margins and provisions for onerous contracts is based on available best estimates and requires management's significant judgement and assumptions associated with estimated revue and costs at completion of the program, the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as key risks such expected outcome from ongoing negotiations with customers, penalties for delay or non-compliance.
Our audit approach	We evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls for accounting for onerous contracts and for the assessment of the contract margin. We also performed substantive procedures on individually significant programmes, including discussions with the programme team including the Head of Programme. Furthermore we evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs and any provisions for onerous contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, paid specific attention to technical and market developments, including export opportunities, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information. For over-time contracts and performance obligations we performed detailed testing of cost incurred and audited the correct application of margin at completion. Finally we determined that the appropriate disclosures were made in the financial statements.

Recoverability of assets related to significant programmes (Reference is made to the disclosures on Note 2 'Significant Accounting Policies', Note 19 'Intangible Assets' and Note 20 'Property, Plant and Equipment' of the financial statements)	
Risk	Capitalized development costs, intangible assets and jigs and tools relate mainly to the key programmes, such as the A220, A330, A350, A380, A400M, H160 and H175. Estimates of the future cash flows and the appropriate discount rates are necessary to determine if an impairment of assets has to be recognised. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial actions required to correct any performance issue detected. Owing to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments, this is a key audit area. Updates to these provisions can have a significant impact on the Company's result and financial position.
Our audit approach	We evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls for identifying and recording impairments. We also performed substantive audit procedures including inquiry of the programme controller and Head of Programmes and corroboration with other audit evidence. We evaluated the impairment tests performed by testing the integrity of the management's impairment model. We assessed management's assumptions for the discount rate and the determination of the forecasted revenue to be realised, cost to be incurred (including any contractual penalties) and the expected gross margin, including performing sensitivity to evaluate the impact of changing some assumptions such as the discount rate or key business parameters (price, growth rate for instance). Finally we determined that the appropriate disclosures were made in the financial statements.

Valuation of derivative financial instruments (Reference is made to Note 37 'Information about financial instruments' of the financial statements)	
Risk	The Company operates in a business environment that is exposed to currency volatility. A significant portion of the Company's revenue is denominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in Pounds Sterling. In response to these risks the Company uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates. There is a high inherent risk of error in the Company's consolidated financial statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potentially significant changes in the exchange rate of the US dollar versus the Euro could have a significant impact on the consolidated equity of the Company via the 'mark to market' valuation of the hedge portfolio.

Valuation of derivative financial instruments (Reference is made to Note 37 'Information about financial instruments' of the financial statements)	
Our audit approach	For the audit of the financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio (by sample) and tested the application of the hedge accounting rules and the resulting accounting treatment. In this process we also assessed the delivery profile used as a basis to the hedge accounting effectiveness test. We obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Based on a sample of derivative financial instruments we assessed that the valuation of the financial instruments is within a pre-defined tolerable variance threshold and no material exceptions were noted. The results of our procedures relating to management's accounting for derivative financial instruments in the 2019 financial statements were satisfactory and we determined that the appropriate disclosures were made in the financial statements.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- The Report of the Board of Directors including the remuneration report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code and Section 2:135b of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the Annual General Meeting of Shareholders as auditor of Airbus SE on 28 April 2016, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Board of Directors and Audit Committee for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Audit Committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Audit Committee, we determine the key audit matters:
those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 12 February 2020

Ernst & Young Accountants LLP

A.A. van Eimeren