

**Airbus Operations Limited**

Annual report and financial statements

Registered number 3468788

31 December 2023

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## Strategic Report

In accordance with applicable law and regulations, the directors of Airbus Operations Limited (“the Company”) present the results of the financial year ended 31 December 2023.

### *Business Model*

The Airbus group operates in three reportable segments (the “Divisions”) which reflect the internal organisation and management structure according to the nature of the products and services provided: Airbus (formerly Airbus and Headquarters), Airbus Helicopters and Airbus Defence and Space.

Airbus Operations Limited is a subsidiary of Airbus Operations S.A.S., a company incorporated under French law, which in turn is owned by Airbus S.A.S., which is part of the Airbus division.

An Executive Committee, chaired by the Chief Executive Officer, with the heads of the Divisions and key functions, is responsible for the management of all Airbus activities. The chairman of the Board of Directors of Airbus Operations Limited reports to the Airbus CEO.

### *Programme overview*

In the context of the strategic report “Airbus” refers to the division of Airbus SE and the “Company” refers to Airbus Operations Limited. The Company undertakes aerospace activities comprising the design and production of wings and associated equipment for the Airbus range of aircraft. The performance of the Company should be taken in context with the performance of the Airbus division as a whole.

### *Deliveries*

In 2023, Airbus delivered 735 commercial aircraft compared to 661 deliveries in 2022, of which:

- 607 aircraft delivered by Airbus SAS (of which 511 Single Aisle, 32 A330, 64 A350) compared to 548 in 2022;
- 60 Single Aisle aircraft delivered by Airbus Americas (compared to 60 in 2022);
- 68 A220 delivered by Airbus Canada Limited Partnership (“ACLP”) (compared to 53 in 2022).

A220 deliveries are analysed as part of total Airbus commercial aircraft activity (above) but have no financial impact on the Company’s financial statements since the A220 programme is not part of the Airbus civil Advanced Pricing Agreement (see note 1.13 for further information).

### *Backlog*

Airbus’s backlog increased by € 100.3 billion to € 490.8 billion as at 31 December 2023, corresponding to a book to bill ratio in units well above 1 (calculated using units of new net orders, i.e. new net orders in units divided by deliveries in units) partly offset by a weakening of the US dollar. Total order backlog at Airbus amounted 8,598 aircraft at the end of 2023 (as compared 7,239 aircraft at the end of 2022).

Order intake consisted of 2,094 net orders in 2023 (as compared to 820 in 2022), comprising 1,675 net firm orders of the A320 Family, 141 A220s produced by ACLP and 281 A350s, partly offset by higher cancellations than orders on the A330s.

### *Production*

Airbus’s industrial organisation reflects the end-to-end industrial flow across all Airbus commercial aircraft programmes. The industrial value streams flow from the supply chain, through Airbus’ two Aerostructures companies, the constituent and major component assembly (wing, forward and aft fuselage, and nose and centre fuselage) and to the final assembly in Toulouse, Hamburg, Tianjin and Mobile. Aircraft are then handed over to programme management for delivery to customers. The industrial flow is enabled by Quality and Procurement as well as four transverse functions responsible to provide the skills, standards and services necessary for (1) smooth industrial planning, logistics and transport, (2) integrated manufacturing engineering, (3) eradication and prevention of non-quality, and (4) highest operational excellence and sound performance management.

## Strategic report (continued)

### Programme overview (continued)

#### Production (continued)

In 2023, Airbus served 87 customers with 735 deliveries, an increase of 11 percent compared to 2022. The delivery result was in line with the delivery guidance set at around 720 aircraft, despite the complex operating environment including a challenging supply chain situation and geopolitical challenges. Airbus continues to ramp-up as planned to serve the strong demand for its commercial aircraft product portfolio. As part of that ramp up, Airbus has enabled all of its assembly sites to be A321 capable, thereby enabling a bigger share of A321 deliveries.

2023 delivery performance and rate evolution:

- A320 family: 571 deliveries achieved. The production is progressing towards a rate of 75 aircraft per month in 2026.
- A330: 32 deliveries achieved. Airbus continues towards a monthly rate of four aircraft in 2024.
- A350: 64 deliveries achieved. Airbus continues towards a monthly rate of 10 aircraft in 2026.

#### A320 Family

With more than 18,460 aircraft sold, and over 11,200 delivered by the end of 2023, the A320 family of single-aisle aircraft includes the A319 and A321 derivatives, as well as the ACJ corporate jet. Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has a wider fuselage than the Boeing 737 MAX. This provides a roomy six-abreast passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a modern structural material selection. The competitors are the Boeing 737 series and Comac C919.

Airbus continues to invest in improvements across the product line, as exemplified by the development of the A320neo family, including the A319neo, A320neo, A321neo and ACJ variants of the A319neo and A320neo, and most recently the A321XLR. The A320neo Family incorporates many innovations including latest generation engines and cabin improvements which together deliver up to 20% in fuel savings compared with earlier A320 family aircraft. The A320neo with Pratt & Whitney engines was the first variant to receive Type Certification, from EASA and FAA, in November 2015, followed by the A320neo with CFM engines in May 2016. The A321neo with Pratt & Whitney engines received Joint Type Certification in December 2016 and with CFM engines in March 2017. Type Certification for the A319neo with CFM engines was achieved in December 2018 with the Pratt & Whitney engine variant the following year.

The A320neo Family versions have over 95% airframe commonality with the A320ceo (current engine option) versions, enabling them to fit seamlessly into existing A320 Family fleets – a key factor for Airbus customers and operators. Continuing support for the large in-service A320ceo fleet is undiminished as new opportunities arise, including those in developing passenger-to-freighter conversion market.

Recognising a market requirement for increasing range capability, the A321neo has been developed to incorporate additional flexibility in cabin configuration with optional design weight and fuel capacity enhancements to produce the 7,280km (4,000nm) range capable A321LR. In 2019, Airbus launched the A321XLR, combining single-aisle efficiency with widebody range and comfort, and resulting in an unmatched product offering for all operator types in the key mid-range market area. The A321XLR entry into service is planned to take place in 2024.

Since its launch in December 2010, the A320neo Family has received 10,354 firm orders from more than 130 customers, with a total of 3,163 aircraft delivered to the end of 2023. A320neo deliveries commenced in February 2016 followed by the first A321neo in April 2017 and in August 2019 the first A319neo. Overall, the A320neo family retains an approximate 60% share of the backlog against the Boeing 737 MAX Family.

During 2023, Airbus received 1,835 gross orders for the A320 Family of aircraft and 1,675 net orders, with 571 aircraft having been delivered.

## Strategic report (continued)

### Programme overview (continued)

#### A320 Family (continued)

The production is progressing well towards the previously announced rate of 75 aircraft per month in 2026. In 2023, construction of the second A320 Final Assembly capacities in Tianjin (China) and Mobile (US) commenced and the new A320 Family Final Assembly Line in Toulouse delivered its first aircraft in December. The first customer A321XLR entered into the Final Assembly Line in December, with entry-into-service for the aircraft type expected to take place in Q3 2024.

#### A330 Family

With 1,771 aircraft sold (of which 296 A330neo) and 1,591 delivered, the A330 Family covers all market segments with two twin-engine aircraft types and is designed to typically carry between 220 and 300 passengers in three-class configurations or over 400 passengers in high-density. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The A330-200 version is also offered as a military platform (MRTT) and as a cargo variant. A passenger-to-freighter conversion is offered by the ST Engineering / EFW partnership for both the A330-200 and A330-300, meeting the logistical needs of the rapidly growing e-commerce market.

The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The latest evolution to the A330 Family is the A330neo (new engine option), comprising the A330-800 and A330-900 versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines and enhanced aerodynamics for improved fuel efficiency. The first flight of the A330-900 took place in October 2017 and both Type Certification and first delivery were achieved in 2018, with TAP Air Portugal taking delivery of its first three A330-900s. Certification and first delivery of the A330-800, to Kuwait Airways, took place during 2020.

In October 2020 Airbus certified an improved MTOW (Maximum Take-Off Weight) of 251t on the A330-900 bringing a range increase of 1,180 km (650 nm). 251t MTOW was also certified for the A330-800 in mid-2022.

During 2023, Airbus received 42 gross orders for the A330 Family of aircraft (of which five military variants) and recorded -3 net orders, with 32 aircraft having been delivered.

Airbus continues towards a monthly rate of 4 aircraft in 2024.

#### A350 Family

The A350 is a family of wide-body aircraft, designed to typically accommodate between 300 and 410 passengers. The A350 offers enhanced cabin features, Rolls-Royce Trent XWB engines, advanced aerodynamics and systems technology, with more than 50% composite materials in the fuselage structure. The A350's main competitors are the Boeing 787 and 777 aircraft series. Initial delivery of the A350-900 variant took place in December 2014 to Qatar Airways.

With the Ultra-Long Range (ULR) version of the A350-900 launched in 2015, the A350 demonstrates its versatility by offering the capability to perform flights of up to 19 hours. The first A350-900 ULR was delivered in September 2018 to Singapore Airlines. Highlighting the type flexibility, Airbus delivered the first A350-900 Domestic to Japan Airlines during 2019.

Partnering the A350-900 is the seven metre longer A350-1000, which was delivered to its first customer, also Qatar Airways, in February 2018. Offering additional capacity for both passengers and cargo without compromising on range, the A350-1000 is the ideal replacement for previous generation aircraft in the 350-400 seat capacity market.

In 2021, Airbus launched the A350F freighter offering three tonnes more payload and more range than a competing 777F. With unbeatable efficiency in terms of fuel burn, CO<sub>2</sub> emissions and economics, the A350F is the only freighter capable of meeting the latest International Civil Aviation Organisation requirements.

## **Strategic report** *(continued)*

### **Programme overview** *(continued)*

#### *A350 Family (continued)*

During 2023, Airbus received 300 gross orders for the A350 Family of aircraft (of which 15 freighters) and 281 net orders, 64 aircraft having been delivered.

At the end of 2023, the total orders for the A350 Family stood at 1,206 aircraft, including 50 for the A350F. With 585 aircraft having been delivered the backlog stood at 621 aircraft. Airbus continues towards a monthly rate of 10 aircraft in 2026.

#### *A380 Family*

The double-deck A380 is the world's largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, tailored to the needs of each airline. The aircraft is capable of carrying over 500 passengers in a comfortable four-class configuration over a range of 8,000 nm / 14,800 km.

The final five deliveries of the A380 took place during 2021 but the aircraft is likely to remain in service with its customer airlines well into the next decade.

#### *A400M (military aircraft)*

The A400M is the most capable new generation airlifter on the market today, aiming to meet the needs of armed forces worldwide and potential operators for military, humanitarian and peacekeeping missions in the 21st century. The A400M can perform the job of three different types of military transport and tanker aircraft by providing different capabilities: tactical (short to medium range airlifter capability with short, soft and austere field operating performance), strategic transport (longer range missions for oversized loads) and tactical tanker.

A total of 178 aircraft have been ordered so far. This includes the seven launch customer nations Belgium, France, Germany, Luxembourg, Spain, Turkey, the UK, as well as three export customers: Malaysia, Kazakhstan (two aircraft ordered in 2021) and Indonesia (two aircraft ordered in 2021, with contract enforcement in 2022). Additionally, Indonesia has signed a letter of intent in 2021 with an option for four additional units. Further interest exists from various regions worldwide, including Asia, the Middle East and Latin America. Type Certificate and Initial Operating Clearance were achieved in 2013. Since then, 123 units have been delivered to eight nations as of 31 December 2023. The A400M has already been deployed in operations since 2014, accumulating more than 177,000 flight hours in service.

In 2019, a contract amendment was signed with launch customers on the Global Re-baselining of the A400M programme, under which all parties have agreed to update the production plan and revise the capability roadmap. NSOC 2.0 Type Acceptance by customers was achieved in 2020, followed by NSOC 2.5 Type acceptance in 2021. The programme is now delivering in line with the revised schedule, and moving forward towards SOC3 (final development standard).

The aircraft is designed to disrupt the difference between strategic and tactical transport by offering both capabilities in one. This saves both time and costs as customers can fly a long range strategic aircraft into a tactical zone of operation.

Airbus has continued with development activities towards achieving the revised capability roadmap. Retrofit activities are progressing in close alignment with the customer.

In 2023, an additional update of the contract estimate at completion was performed and a resulting expense was recorded at Airbus SE level.

Risks remain on the development of technical capabilities and associated costs, on aircraft operational reliability, on cost reductions and on securing overall volume as per the revised baseline.

## Strategic report (continued)

### Significant events in 2023

The following matters predominantly affect the Airbus division and will impact the Company via the share of the total 'Common activities' result from Airbus SAS (see note 1.13 for further details). Matters which are specific to the Company are identified as such.

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

During 2023, the various proceedings in relation to the final agreements ("the agreements") reached 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 (resolving their investigations into inaccurate and misleading filings made with the DoS pursuant to the US International Traffic in Arms Regulations ("ITAR")), were concluded. The agreements were approved and made public on 31 January 2020.

Under the terms of the agreements, the group (Airbus SE) agreed to pay penalties of €3,597,766,766 plus interest and costs to the French, UK and US authorities. This was recognised in the group's 2019 accounts and all penalties have been paid. The settlements with each authority were 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.

The Company had an impact of £495m in the 2020 statutory accounts. This amount was invoiced by Airbus SAS using the Industrial Key 2020 (see note 1.13 for explanation of the Industrial Key).

Under the terms of the Convention Judiciaire d'Intérêt Public ("CJIP") with the PNF, the group had 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 was imposed on the group in light of the continuing monitoring 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 group reported on its continuing compliance enhancement progress during the three year term of the DPA and carried out further reviews as required by the DoJ.

The agreements resulted in the suspension of prosecution for a duration of three years. This deferral period ended on 31 January 2023.

On 13 February 2023, the SFO gave notice to the group discontinuing the prosecution. On 17 March 2023, the PNF gave notice of the same with receipt of the "Constat de l'extinction de l'action publique". On 28 July 2023 the DoJ filed a motion to dismiss which was granted by the court on 10 August 2023. With receipt of the aforementioned notices, the CJIP with the PNF, the DPA with the SFO and the DPA with the DoJ were formally concluded.

Under the terms of the Consent Agreement with the DoS, the DoS agreed to settle all civil violations of the ITAR outlined in the group's voluntary disclosures identified in the Consent Agreement, and the group agreed to retain an independent export control compliance officer to monitor the effectiveness of the group's export control systems and its compliance with the ITAR.

As a result of the group's decision to redirect export control compliance resources to ensure compliance with export control restrictions and international sanctions announced against Russia, Belarus and certain Russian entities and individuals following Russia's invasion of Ukraine on 24 February 2022, the group asked the DoS to extend the Consent Agreement by nine months from its original expiration date and the DoS has granted the extension. On 26 October 2023, the Company received notice from the DoS of the closure of the Consent Agreement based on the fulfilment of its terms.

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 group, (ii) adverse consequences on the group'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 group's business or reputation via negative publicity adversely affecting the group's prospects in the commercial market place.

## **Strategic report** *(continued)*

### **Significant events in 2023** *(continued)*

#### *Investigation by the UK SFO, France's PNF, US Departments of State and Justice and Related Commercial Litigation (continued)*

Airbus will continue to cooperate with the authorities in the future and to enhance its strong Ethics & Compliance programme and culture within the group.

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

#### *Air France Flight 447 trial*

On 1 June 2009, an A330 operated by Air France flight AF447 from Rio de Janeiro to Paris disappeared over the Atlantic Ocean with 228 persons onboard. The wreckage was located in April 2011 after several search campaigns organised by the Bureau d'Enquêtes et d'Analyses ("BEA"), which published its final investigation report in July 2012. In the wake of the accident, the prosecutor in Paris opened an investigation for involuntary manslaughter and Airbus SAS was charged in March 2011. In September 2019, the investigating magistrates closed the investigation and dismissed all criminal charges after a thorough analysis of the technical and legal elements of the case. However, the Paris Court of Appeal overturned the magistrates' decision and ordered trial for involuntary manslaughter. The group's appeal to the French Supreme Court has been dismissed.

Following a trial in the fourth quarter of 2022, the Paris Criminal Court announced on 17 April 2023 that all criminal charges against the group were dismissed but sustained certain civil liability claims. On 26 April 2023, the Paris General Prosecutor filed an appeal of the dismissal of criminal charges against Airbus and Air France. As a consequence, there will be a full retrial of the matter, which the group expects will be scheduled to take place in 2024 or 2025.

### **Financial performance**

Key performance indicators of Airbus Operations Limited are shown below:

|                                | 2023 (£m) | 2022 (£m) |
|--------------------------------|-----------|-----------|
| Turnover                       | 4,340     | 4,116     |
| Research and development costs | 222       | 244       |
| Profit for the financial year  | 437       | 439       |
| Net assets                     | 2,018     | 1,839     |

As a consequence of the revenue recognition mechanism (refer to note 1.13), the performance of the Company should be taken in context with the performance of the Airbus division as a whole. There is a positive earnings allocation for the Common Business (activity relating to Airbus). Allocation based on the Industrial Key (mechanism by which costs are collated, analysed and results are shared) resulted in the Company having a proportionate profit of £584m (2022: £574m) of the allocable total results of the Airbus Common Business, which is reported in turnover and reflected in an increase in intercompany debtors.

The increase in the Common Business earnings allocation between 2022 and 2023 is mainly due to the increase in deliveries (+57 aircraft) and a more profitable sales mix, partially offset by a one-off positive effect in 2022 from the release of a pension provision following a new signed collective branch agreement.



## Strategic report (continued)

### Financial performance (continued)

The proportionate result of the UTE (being the allocations of the results of the A400M programme) established for the A400M series business for the Company (refer to note 1.13), which is similarly reported in turnover, has improved compared to the prior year and amounts to £-58m (2022: £-80m). The decrease in the UTE loss share is mainly driven by a decrease in the number of aircrafts delivered (8 in 2023 vs. 10 in 2022) since each aircraft delivered has a negative margin at group level. In 2022 the result was partially improved due a catch-up effect from new A400M Development Industrial and Series Industrial agreements. In 2023 an exceptional invoicing of Industrial Benefits and Study Items also had a positive impact by a comparable magnitude.

Staff costs have decreased from £538m in 2022 to £505m in 2023. Although wages and salaries and social security have increased in line with pay rises and an increase in staff numbers, pension costs have reduced. The defined benefit pension cost has reduced from £72m in 2022 to £17m in 2023, primarily due to an improved funding position in the scheme. The defined contribution pension cost has reduced from £53m in 2022 to £34m in 2023, mainly due to lump sum payments in 2022 of £24m.

An impairment reversal of £5m was booked in 2023. A related impairment reversal of £49m was booked in 2022. The original impairment was booked in 2018 following the decision to cease production of the A380 and the consequent impact on facilities utilisation. During 2022 and 2023, alternative uses were identified for certain impaired buildings and the impairment reversal was booked as a result.

Income from shares in group undertakings represents a £16m (2022: £10m) dividend received from the Company's 100% owned subsidiary, Airbus Real Estate UK Limited.

Interest payable and similar expenses has decreased from £62m in 2022 to £43m in 2023. This is primarily due to the foreign exchange impact changing from a £42m loss in 2022 to a £6m gain in 2023, driven by the strengthening of Sterling against the US Dollar in 2023. Offsetting this, the interest on funding accounts with Airbus SE increased from £17m in 2022 to £41m in 2023 as a result of higher interest rates in 2023.

There is a tax expense of £103m for 2023 (2022: £128m) against a profit before tax of £540m (2022: £567m). The current year tax expense includes a credit of £22m for intercompany loss surrender.

On the balance sheet, stocks have increased from £601m in 2022 to £831m in 2023. This is partly driven by additional inventory requirements in line with production rate increases, and partly due to advanced payments made to suppliers, partially offset by amortisation of such payments (increase of £147m compared to prior year).

Debtors have decreased from £1,542m in 2022 to £1,432m in 2023. This is primarily due to the reduction of £93m in the December invoice for Common Business costs (see note 1.13 for further information on invoicing mechanism).

Employee benefits (asset) have decreased from £342m in 2022 to £73m in 2023. This is mainly due to the impact of a lower discount rate in 2023 which results in a higher defined benefit obligation, partially offset by an increase in plan asset values.

Creditors have decreased from £1,892m in 2022 to £1,583m in 2023. This is primarily due to a reduction in the funding balance with Airbus SE (£492m decrease), partially offset by a £179m increase in trade creditors associated with production rate increases.

### Key Performance Indicators

Key performance indicators against which Airbus Operations Limited measures the success of its strategy are turnover per full time equivalent employee £581,536 (2022: £579,963), research and development expenditure (net of research and development expenditure tax credit) per full time equivalent employee £26,128 (2022: £32,267) and capital expenditure per full time equivalent employee £14,471 (2022: £11,272).

## **Strategic report** *(continued)*

### **Research and development (R&D)**

The R&D programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by our customers.

Total R&D costs incurred in the Profit and Loss Account amounted to £222m (2022: £244m). A further £29m of costs were capitalised in 2023 (2022: £39m) in relation to A320 XLR. Costs incurred in the Profit and Loss Account by programme in 2023 are as follows:

|                                      | 2023 (£m)  | 2022 (£m)  |
|--------------------------------------|------------|------------|
| A350 Family                          | 45         | 104        |
| A330 Family (including Beluga)       | 18         | 15         |
| A320 Family                          | 51         | 41         |
| A400M                                | 12         | 11         |
| R&T / other (non-programme specific) | 96         | 73         |
| <b>Total</b>                         | <b>222</b> | <b>244</b> |

Included within A350 Family R&D in 2022 is one off payment of £47m to settle development costs incurred by a supplier.

### **Risks and uncertainties**

The following matters predominantly affect the Airbus division and will impact the Company via the share of the total 'Common activities' result from Airbus SAS (see note 1.13 for further details). Matters which are specific to the Company are identified as such.

#### *Enterprise Risk Management*

The Company does not have its own individual risk management and internal control system, but is embedded in the group-wide Enterprise Risk Management System ("ERM") designed and determined by Airbus.

The long-term development and production cycles of the Airbus's wide range of products and services in a globalised supply chain and highly regulated environment make ERM a crucial mechanism both to mitigate risks faced by Airbus and to identify and enhance potential opportunities.

Applied across Airbus SE and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across the Divisions at each level of the organisation. It is designed to identify and manage relevant risks and opportunities. A sharp focus is put on the operational dimension due to the importance of programmes and operations for Airbus. External factors are also considered in our approach in order to strengthen company resilience.

The ERM system relies on five pillars:

- Anticipation: early risk reduction and attention to emerging risks;
- Speak-up and early warnings;
- Robust risk mitigations;
- Opportunities; and
- Strong governance.

## **Strategic report** (continued)

### **Risks and uncertainties** (continued)

#### *Enterprise Risk Management* (continued)

Airbus and the Company are subject to many risks and uncertainties that may affect their financial performance. Their business, results of operations or financial position could be materially adversely affected by the risks described below. These are not the only risks they face. Additional risks and uncertainties not presently known or that are currently considered immaterial may also impair their business and operations.

#### *The war in Ukraine and armed conflicts*

Local or regional wars or armed conflicts may pose risks to the group's operations, supply chain (relating to the production or movement of materials or goods) and access to commodities. To the extent such events result in reduced demand for air travel or negative impacts on the commercial aircraft market (closing certain routes, disrupting fuel or other critical supplies, or otherwise impinging on air traffic) they could reduce demand for the group's products and services.

Russia's invasion of Ukraine on 24 February 2022 and the resulting export control restrictions and international sanctions against Russia, Belarus and certain Russian entities and individuals resulted in disruption to the Airbus's business, operations (including data management) and supply chain. In response to the export control restrictions and sanctions enacted by the EU, the UK, the US, Canada and other countries, Airbus suspended the delivery of aircraft and support services (including spare parts, equipment and software) to sanctioned entities and countries.

Airbus maintained compliance with all applicable regulations and sanctions on its facilities and operations in Russia. The Representative Office in Moscow was closed in August 2023, while the Airbus Russia affiliate (Airbus RUS) is in process of being closed.

The war in Ukraine has likewise increased the group's exposure to supply chain disruption risk. Part of the titanium used by Airbus is sourced from Russia, both directly and indirectly through the group's suppliers. While geopolitical risks, and associated de-risking activities, are integrated into the group's titanium sourcing policies, the impact of Russia's invasion of Ukraine (including the resulting sanctions), may continue to affect the Airbus's ability to source certain materials and components, particularly in view of the lead time needed to develop alternative sources.

Airbus's business, results of operations and financial condition may continue to be affected by the direct and indirect impacts of the war in Ukraine and response measures thereto.

#### *Foreign currency exposure*

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

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

The Company does not engage in any hedging activity and is not therefore exposed to hedging risk other than through the future share of Common Business earnings.

Although the majority of exchange rate risk for the Company is mitigated due to the Advanced Pricing Agreement (refer to turnover accounting policy in note 1.13), the Company's annual share of the Common Business result is denominated in Euros and therefore the Company's profitability is impacted by Euro exchange fluctuations.

## **Strategic report** (continued)

### **Risks and uncertainties** (continued)

#### *Dependence on key suppliers and subcontractors*

Airbus is dependent on the performance of numerous key suppliers and subcontractors who provide the raw materials, parts, assemblies, systems equipment and services that it needs to manufacture and deliver its products.

These suppliers and subcontractors' financial health and ability to meet their contractual obligations may be negatively impacted by a variety of commercial factors, including the availability and cost of financing, the cost and availability of energy and raw materials (including steel and titanium and other key inputs), the ability to attract, train and retain a suitably skilled workforce, the ability to acquire certain non-commodity materials and components (such as semiconductors and electronic components) in the required quantity and time frame and at a viable cost, disruptions to transport and logistics networks and cyber security threats. Further, macroeconomic or local economic factors (including economic recessions and inflation), geopolitical conflicts causing economic or logistical disruptions, changes or tightening of export controls and other trade regulations, sanctions and embargoes, and other legal or regulatory issues (including environmental regulations) may negatively impact suppliers' and subcontractors' viability and ability to meet their contractual obligations. Many of the aforementioned factors continue to be exacerbated by the lingering effects of the COVID-19 pandemic

In the context described above, changes to the group's production or development schedules may impact suppliers and customers such that they initiate contractual claims for financial compensation or they do not fulfil their on-time and on-quality delivery commitments. This may have a negative effect on the financial condition and results of operations of the Company through the future share of Common Business earnings.

As the group's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest, natural disasters or sanctions imposed by governmental authorities which could interrupt deliveries. This may have a negative effect on the financial condition and results of operations of the group.

Airbus cannot fully protect itself from non-performance of a supplier, including in case of external factors beyond its control, which could disrupt production and in turn may have a negative effect on its financial condition and results of operations of the group. Nevertheless, Airbus is striving to improve its supply chain resilience and has implemented a robust governance to prevent, anticipate and monitor supply chain disruption risks and efficient management of issues.

#### *COVID-19 or other pandemic risks*

While the COVID-19 pandemic, the resulting health and economic crisis and actions taken in response to the spread of the pandemic, including government measures, lockdowns, travel limitations and restrictions, which resulted in significant disruption to Airbus's business, operations and supply chain have in many ways receded, lingering effects continue to impact the group's business, operations and supply chain and its ability to deliver products and services.

Moreover, a localised or global resurgence of the COVID-19 pandemic or the emergence of another pandemic or widespread human health issue could result in further government measures, lockdowns, travel limitations and restrictions. This could negatively impact demand for air travel and commercial air traffic, thereby impacting the financial health and viability of operators, airlines, lessors and suppliers and adversely affecting the Airbus's ability to deliver products and services as well as customers' demand for aircraft and their ability to fund and take delivery of such aircraft.

In addition to the aforementioned effects, to the extent a resurgence of COVID-19 was to result in further lockdowns, travel limitations and restrictions, logistical challenges would result that could cause further disruptions to the group's business, its operations and supply chain and which could adversely affect the Airbus's ability to deliver products and services as well as customers' ability to take delivery of aircraft. There can be no assurance that the group's business, results of operations and financial condition will not be materially affected by pandemics or other similar events in the future.

## Strategic report (continued)

### Risks and uncertainties (continued)

#### Cyber security risks

Airbus's extensive information and communications systems, industrial environment, products and services are exposed to cyber security risks. Cyber security threats are rapidly changing and scenarios of attacks are becoming more sophisticated.

Airbus is exposed to a number of different cyber security risks, directly or through its supply chain, arising from actions that may be intentional and hostile, accidental or negligent. Some of the objectives of an attacker are espionage, to influence, to create an obstacle to functioning or to extract payment. The main cyber security risks for Airbus are intrusion in systems leading to data leakage, attacks impacting the resilience of industrial systems and compromising the development, use or operation of products and services.

All of the above-mentioned risks are heightened in the context of the increasingly common use of digital solutions by Airbus (including greater use of cloud services, mobile devices, "internet of things"), increasingly capable adversaries and integration with the extended enterprise. Risks related to Airbus's industrial control systems, manufacturing processes and products are growing with the increase of interconnectivity and digitalisation. Moreover, a primary challenge is maintaining an appropriate level of security of complex and legacy industrial systems to face attacks from hackers, who are constantly and rapidly improving their techniques and skills.

Further, Airbus is subject to data privacy laws in many jurisdictions, a violation of which (whether accidentally, or through a deliberate internal or external act) could result in legal, reputational, commercial, financial or other consequences for the group. Finally, Airbus is exposed to reputational damage and destabilisation from the growing volume of false and malicious information injected into media and social networks.

Airbus continues to make significant efforts to prevent such risks from materialising. Targeted investments will reduce but not eradicate likelihood and impact through strengthening the business's cyber protection and resilience.

The materialisation of one or several of such risks could lead to severe damage including but not limited to significant financial loss, need for additional investment, contractual or reputational performance degradation, loss of intellectual property, loss of business data and information, operational business degradation or disruptions, and product or services malfunctions. Loss of personal data may result in administrative, civil or criminal liabilities including significant fines and penalties.

#### Climate factors

Climate change may have a major impact on both the group's industrial operations and its upstream and downstream value chains, including directly on aircraft operations and on the wider air transport ecosystem, along with a strong influence on regulations and on stakeholders' expectations. Accordingly, climate-related risks could materially affect Airbus's business and competitiveness, its customers and other actors in the aviation industry.

The results of Airbus's climate scenario analysis has led to the identification of the following climate-related risks:

- Transition – Technology: Emergence of disruptive technologies from competition and low availability of renewable and low-carbon energy;
- Transition – Market: Impact of market measures and their development on demand for the group's products;
- Transition – Policy and legal: Climate-related regulations and restrictions – divergence in regulatory framework;
- Transition – Reputation: Change in behaviours, perceptions and societal expectations;
- Physical – Acute: Extreme weather events may impact the group's products and its operations;
- Physical – Chronic: Consequences of long-term changing weather patterns that may cause sea level rise, water scarcity, chronic heat waves, chronic cold, increased industrial asset, infrastructure and operations costs, and reduced labour productivity and employee health.

Further disclosure, to comply with The Companies Act Climate-related Financial Disclosure Regulations, is on pages 22 to 33.

## **Strategic report** *(continued)*

### **Risks and uncertainties** *(continued)*

#### *Legal and regulatory proceedings*

Airbus is currently engaged in a number of active legal and regulatory proceedings. The expiration in 2023 of the three-year deferral period under the agreements reached in 2020 with the UK Serious Fraud Office (“SFO”), France’s Parquet National Financier (“PNF”), and the US Departments of State (“DoS”) and Justice (“DoJ”), relating to their investigations into the group was followed by dismissal of the charges with prejudice by the respective authorities under each of their domestic laws. Airbus is regularly involved in civil and commercial disputes and litigation, and governmental or regulatory investigations, proceedings or inquiries, and expects to continue to spend time and incur expenses in connection therewith (regardless of their ultimate outcome), which may divert the efforts and attention of management from normal business operations.

Although Airbus is unable to predict the outcome of these types of proceedings, it is possible that they will result in the imposition of damages, fines or other remedies, which could have a material effect on the group’s business, results of operations and financial condition. An unfavourable outcome to any of these proceedings could also negatively impact the group’s stock price and reputation.

In addition, the group is from time to time subject to government inquiries and investigations of its business and competitive environment due, among other things, to the heavily regulated nature of its industry. Such inquiries and investigations may cover matters relating to, among other topics, anti-corruption and anti-bribery laws and regulations, export control laws and regulations, data privacy laws, securities law, international trade law (including tariffs and import duties), and competition law.

An adverse decision in any such matter could have a material effect on the group’s business, results of operations and financial condition. In addition to the risk of an unfavourable ruling against Airbus, any such inquiry or investigation could negatively affect the group’s reputation and its ability to attract and retain customers and investors, which could have a negative effect on its business, results of operations and financial condition.

#### *Industrial system adaptation*

Airbus is currently engaged in adapting its industrial setup as it progresses towards its targeted commercial aircraft production rates. In view of the complex environment in which it operates, the group faces challenges as it ramps up to reach its targeted rates. Airbus monitors the ramp-up capabilities of the value chain (including the supply chain) for all commercial aircraft programmes. Issues arising across the value chain (including the supply chain), whether relating to raw materials, subcontracted work packages, fixtures (such as cabin equipment, buyer-furnished or otherwise), or other elements, could threaten the success of the ramp-up effort.

Likewise, factors within the group, such as human resources (right-sizing headcount and acquiring or developing the specific skills and competencies required to support the group’s ramp-up, and training and reskilling the existing workforce), resource allocation and adaptation to the complex and evolving operating environment present challenges for the group in executing the ramp-up.

While Airbus is attempting to mitigate potential downside outcomes in part by building up levels of resilience to production disruptions and delays (such as by increasing inventories or certain key inputs), achieving the targeted production ramp-up depends not only on the group effectively executing its plans, but also depends on external factors beyond the group’s control. Failing to reach the targeted production ramp-up may have a negative effect on the financial condition and results of operations of the group.

#### *Product liability and warranty claims*

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

## **Strategic report** *(continued)*

### **Risks and uncertainties** *(continued)*

#### *Product liability and warranty claims (continued)*

Some types of claimed damages, such as punitive, exemplary or moral damages may not be insured or insurable. Airbus follows a policy of seeking to transfer the insurable risk of the group to external insurance markets at reasonable rates, on customised and sufficient terms and limits, as provided by the international insurance markets. The insurance industry remains unpredictable. There may be future demands to change scope of coverage, premiums and deductible amounts. No assurance can be given that the group will be able to maintain its current levels of coverage nor that the insurance coverages in place are adequate to cover all significant risk exposure of the group.

Any problems in this respect may also have a significant adverse effect on the reputation of the group and lead to a decline in demand for its products and services. Any reputational damage faced by the group may be exacerbated due to the Airbus's high profile within its industry. Airbus cannot predict at this time the potential impact of any product liability or warranty claims, as the impact will depend on the nature and size of any such claim.

### **Forecast information**

Airbus faces certain main challenges on its commercial programmes, including:

- commercial adaptation to achieve planned rate increase while maintaining high safety and quality standards, including focus on regulatory obligations such as our Production Organisations Approval;
- monitor and support the supply chain with a specific focus on certain key suppliers, including engine manufacturers (with respect to the availability and maturity of both production and in-service engines, including the effect of required updates and maintenance cycles) and producers of key elements such as wings, airframe components, and other production elements for which sufficient alternative suppliers are not available; and
- protect priority projects and deliver developments as per plan in an environment of increased certification scrutiny and greater complexity, including A321XLR, A350 Freighter, A350-1000 Sunrise project.

#### *A320*

In view of demand for the A320 Family, Airbus has announced a gradual increase in production for the upcoming years, with a monthly production rate of 75 A320 Family aircraft being targeted in 2026. Reaching this production rate will depend in part on the success of our industrial adaptation and the performance of our suppliers. Airbus proactively and constantly monitors the manufacturing backlog (including the internal and external supply chain (including engines), so as to ensure readiness for further rate adaptations in accordance with demand evolution, to minimise inventory levels, and to secure aircraft storage capacity.

In connection with the A320 Family programme, Airbus faces the following key challenges: keeping A321XLR development on-track (including A321XLR certification topics with primary airworthiness authorities), and adapting and upgrading our industrial system and capability to meet market demands (including adapting to the evolving product mix within the family, where the group currently anticipates a significant increase in A321 production). Market demand for A320 Family aircraft and production and supply chain capabilities will continue to evolve in the next few years, which Airbus will continue to closely monitor, with high-risk areas within the supply chain (including engine maturity and availability in service, and other key elements) being subject to particular scrutiny.

## **Strategic report** (continued)

### **Forecast information** (continued)

#### *A350*

In view of market demand, Airbus is targeting a monthly production rate of 10 A350 Family aircraft in 2026. Reaching this production rate will depend in part on the success of our industrial adaptation and the performance of our suppliers. Airbus proactively and constantly monitors the manufacturing backlog (including the internal and external supply chain (including engines)), so as to ensure readiness for further rate adaptations in accordance with demand evolution, to minimise inventory levels, and to secure aircraft storage capacity

In connection with the A350 programme, Airbus faces the following main challenges: matching production rates to market demand while supporting the supply chain and managing lead-times from corresponding suppliers, reducing recurring costs to improve competitiveness in view of the strong competition in the widebody market, and delivering on major programme developments (such as the A350 Freighter development and A350-1000 Sunrise project). Airbus will continue to closely monitor these challenges, with high-risk areas in the supply chain (including engines and other key elements) and competitiveness topics being subject to particular focus.

#### *A330*

In view of market demand, Airbus is targeting a monthly production rate of four A330 Family aircraft in 2024. Reaching this production rate will depend in part on the success of our industrial adaptation and the performance of our suppliers. Airbus proactively and constantly monitors the manufacturing backlog (including the internal and external supply chain (including engines)), so as to ensure readiness for further rate adaptations in accordance with demand evolution, to minimise inventory levels, and to secure aircraft storage capacity.

In connection with the A330 programme, the main challenges facing the group are maintaining product competitiveness in the widebody market segment, and monitoring (and where necessary supporting) the supply chain. The ongoing industrial and product improvements of the programme progressed well during 2023, however the group will continue to place particular focus on high-risk areas in the supply chain (including engines and other key elements) and competitiveness topics.

#### *A380*

In connection with the A380 programme, Airbus faces the following main challenges: secure ageing fleet in-service support for the next decades and long-term competitiveness.

#### *A400M*

Whilst Airbus is still in final negotiation to sign the contract amendment that leads to a new baseline for the programme, risks remain on the qualification of technical capabilities and associated costs, on aircraft operational reliability, on cost reductions and on securing overall volume as per the revised baseline.

### **Research & Technology**

The Research & Technology programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by customers.

The technology strategy and programme content in the UK is developed as part of a holistic approach consistent with the group, and currently covers metallics, composites, next generation composite manufacturing capability, electric/hybrid technology, Sustainable Aviation Fuels (SAFs), Hydrogen, landing gear systems, advanced wing engineering and systems. The work programme is developed to facilitate full co-operation with our research partners in government, industry, laboratories and universities.

Airbus is a key partner in the Aerospace Growth Partnership (AGP) which brings government and industry together to secure the long-term future of the UK aerospace sector. We are a major partner in the Aerospace Technology Institute (ATI), which is positively promoting research and development into new technology for the aircraft of the future.



## Strategic report (continued)

### *Non-financial and sustainability information statement*

Airbus's purpose is to "pioneer sustainable aerospace for a safe and united world". Airbus designs, manufactures and delivers aerospace products, services and solutions to customers on a worldwide scale helping to create value and drive growth. Airbus is aware of its responsibility to society and future generations, and contributes to a number of UN Sustainable Development Goals ("SDGs") through its core business and how it operates.

Airbus strives to respect the planet. It aspires to lead the decarbonisation journey in aerospace. Airbus pioneers advanced and disruptive technologies while continuously improving the fuel-efficiency of its products. From exploring new aircraft and propulsion technologies and alternatives to fossil fuels such as Sustainable Aviation Fuels to testing new prototype aircraft powered by hydrogen, Airbus is committed to reducing the environmental impact of its products. It is also committed to improving its environmental performance and, for example, to actively reduce emissions through its value chain, cutting on-site waste and increasing the recycling capability of aircraft at the end of their service life. Airbus products and services, such as its Earth-observation technologies, allow it to play its part in addressing climate change, providing insights that help make the planet more resilient.

Airbus is committed to valuing people. Its business is built on a foundation of safety, quality, integrity and compliance, with the highest standards ensured from design to operation. A key aspect of integrity is respect for human rights. Airbus embeds and advances respect for human rights within its business, operations and supply chain. Airbus technology allows its customers to support the protection of lives during conflict and management of crises to reduce the risk of escalation. Airbus products help to protect citizens, defend sovereignty and advance global security, mindful that there can be no sustainability without security.

Airbus enables prosperity. Its products help to unite cultures, connect economies, and enable global cooperation and partnership. Airbus brings together people and organisations across the globe, physically with its commercial aircraft and helicopters, and virtually with its satellites and connectivity solutions. It mobilises the collective positive impact of its workforce, products and services to tackle societal challenges in partnership with local communities.

In addition, Airbus works collaboratively to maximise its positive impact, playing an active advocacy role, educating the aerospace industry and partnering with other businesses and public sector organisations to develop technology and solutions for the industry to contribute to the transition towards a responsible economy. It is committed to being an economically resilient business that has the financial strength to invest in the future.

#### *Respect for Human Rights*

During 2023 Airbus continued to drive actions in support of its human rights ambition 'to embed and advance human rights throughout our business, organisation and supply chain' in relation to activities under its full, direct control. For further information, see the 2023 Report of the Board of Directors, published on [airbus.com](https://airbus.com) on the Investors Relations webpage.

#### *UK Modern Slavery Act*

As part of its obligations under the UK Modern Slavery Act, and in recognition of the global aim of this topic, Airbus SE published its latest Modern Slavery Statement in 2023 covering the year ended 31 December 2022. Modern slavery, including forced, child, bonded and indentured labour, is a topic progressed through the Airbus Human Rights Roadmap.

## **Strategic report** (continued)

### *Non-financial and sustainability information statement (continued)*

#### *Gender Pay Gap report*

The Company employs over 7,000 people across eight sites in the UK. With major facilities in locations such as Filton in Bristol and Broughton in North Wales, Airbus plays a crucial role in the UK's aerospace industry. The Company's sites cover a broad range of technical disciplines, chief among which are the design, testing, and manufacturing of wings; support services for Airbus's commercial aircraft; along with the design, engineering, testing and support of their fuel systems and landing gear.

Airbus's operations in the UK underscore its commitment to fostering innovation and collaboration within the aerospace sector. In 2023, the average pay gap for the Company was small and negative (0.7%), returning to similar levels seen prior to the COVID-19 pandemic. The small gap is largely due to the fact that a significant proportion of roles in the Company are shop floor manufacturing roles. These roles, which typically pay in the lower quartiles, are overwhelmingly male dominated. In the Company, 12.3% of all roles are filled by women. While women are better represented in executive positions (15.0%) and senior manager roles (17.0%), only 1.6% of shop floor roles are filled by women.

In terms of bonus payments, they are paid in three categories: those based on individual performance; those based on individual performance and company success; and those based solely on company success. The bonuses based solely on company success are primarily received by shop floor workers, who are predominantly male. These are paid at a flat rate and tend to have a smaller value than other bonuses. Bonuses are paid in arrears, so those without sufficient service will not receive a bonus even though they are in the relevant population. This also influences the bonus gap, which is in favour of women (-10%).

The Company's gender pay gap reflects the wider societal issues, notably fewer women and girls studying Science, Technology, Engineering, and Maths subjects. It is therefore fair to say that the Company's pay gap is reflective of a talent gap. Airbus is actively working to address its gender pay gap. Each of our businesses in the UK is working towards Airbus's ambition to have 25% women in executive positions by 2025. In 2023, for the Company, 15% of executive positions and 17% of senior managers were women. We continue to focus our efforts on actively addressing the unequal spread of men and women across the organisation that results in the current gender pay gap, through robust inclusion and diversity policies, widening our recruitment to attract and develop female talent, and supporting our colleagues to achieve a better work-life balance.

#### *Duty to report Payment Practices and Performance*

In 2023, in accordance with regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015, the Company published its twice-yearly payment practices and performance report, details of which can be found on the specific Government website. Our results reflect the unique nature of the aerospace industry and the long lead times taken to produce, deliver and receive payments for our products.

#### *Supply Chains*

Airbus strives to make environmental and social responsibility a core element of its procurement strategy. This includes managing the relationships with suppliers throughout the sourcing strategy, supplier selection, contract management and supplier monitoring and development. Airbus suppliers must comply with all laws and regulations applicable to their business. In addition, all business shall be conducted by suppliers in compliance with the principles of the Airbus Supplier Code of Conduct. This Supplier Code of Conduct integrates the group-wide values and principles in line with internationally recognised standards and conventions, such as the International Labour Organization.

## Strategic report *(continued)*

### *Non-financial and sustainability information statement (continued)*

#### *Supply Chains (continued)*

In order to drive the Sustainable Supply Chain Roadmap (SSCR), a quarterly steering committee chaired by the Head of Sustainability & Environment, and the Head of Procurement Governance & Strategy and the representative of the Chief Procurement Officer (CPO) of the Airbus group of companies has been created. The steering committee includes Heads of Procurement and the Head of Ethics & Compliance, or their nominated representatives. The Chief Sustainability Officer (CSO) and the CPO of the Airbus group act as sponsors of the SSCR. The CPO also reports to the Ethics, Compliance and Sustainability Committee (“ECSC”) on the progress of the Company’s responsible sourcing strategy implementation.

Sustainability targets are included in the 2023 objectives of the group CPO and are cascaded through the Airbus Procurement organisation:

- Commitment by suppliers to the Airbus Supplier Code of Conduct for 89% of the 2022 sourcing volume;
- Supplier sustainability assessments completed for 75% of the 2022 sourcing volume;
- Response of suppliers to CDP (formerly known as the “Carbon Disclosure Project”) assessment for 75% of the 2022 sourcing volume.

The Airbus sustainable supply chain ambition is built on the Airbus four sustainability commitments. Derived from these, the Airbus Sustainable Supply Chain Roadmap is based on a three-step approach: supplier commitment, supplier assessment, supplier engagement and development. This approach is based on the following key elements and principles of due diligence aligned with the OECD Due Diligence Guidance for Responsible Business Conduct and applicable law:

- supply base risk mapping;
- supplier engagement and contractual requirements;
- supplier assessment/audits and development plans;
- policies, tools and reporting.

The Procurement function has further reinforced its cooperation with the Legal & Compliance function for anti-corruption topics in the supply chain, and in the context of continuing evolution of Airbus’s due diligence mechanisms.

#### *Responsibility to the Environment*

Airbus has the ambition to deliver industrial (Scope 1 and 2) emissions reduction in line with the Paris Agreement and continually improve manufacturing and site operations. Airbus has the climate ambition to reduce Scope 1 and Scope 2 industrial Greenhouse Gas (GHG) emissions by up to 63% in absolute value by 2030 below 2015 levels. In addition, Airbus has set itself a target to reduce, by 46%, the CO<sub>2</sub> emissions intensity generated by its commercial aircraft (Scope 3 - Use of Sold Products) by 2035 based on a 2015 baseline. The Scope 1, 2 and 3 targets were validated by the Science Based Targets Initiative (SBTi) during January 2023.

Airbus has also set the following targets for 2030 (against a 2015 baseline):

- 50% reduction in water purchased; 0% increase in water withdrawal;
- 20% reduction in final energy consumption from stationary sources and electricity across the Airbus reporting scope;
- 20% reduction in waste produced (tons) excluding exceptional waste, with no landfill or incineration without energy recovery;
- 0% increase in emissions of volatile organic compounds.

These targets are cascaded, and monitored, at a site level for each of the Company's sites.

## Strategic report (continued)

### Non-financial and sustainability information statement (continued)

#### Responsibility to the Environment (continued)

In the last 50 years, the aviation industry has cut fuel burn and CO<sub>2</sub> emissions per seat / kilometre by more than 80%, NO<sub>x</sub> emissions by 90% and sound levels by 75% per aircraft operation. Airbus and the aviation industry recognise the importance to continue improving the sector's environmental performance in all areas – from noise to air quality and GHG emissions.

Due to the industry's short to medium-term reliance on fossil-based fuels as well as potential additional impacts from non- CO<sub>2</sub> factors, the reduction of aviation's impact on climate change remains an environmental challenge. Airbus is fully committed to supporting and promoting the decarbonisation of the aviation industry as we 'pioneer sustainable aerospace for a safe and united world'. Decarbonisation requires a range of measures such as new technologies, hydrogen fuels, Sustainable Aviation Fuels (SAFs), new operating procedures and market based measures.

Airbus is committed to supporting the UK's roadmap to net-zero greenhouse gas emissions for aviation by 2050. This will require joint industry and government efforts through maximising short-term operational efficiencies, delivering commercial UK SAF production at scale this decade, investing in low-carbon flight technology / infrastructure and addressing residual aviation emissions through market-based measures and carbon removals.

To support this ambition, Airbus aims to bring the first hydrogen-powered commercial aircraft to the market by the middle of the next decade. Airbus is also acting as a catalyst to promote SAF production through facilitating offtakes, leveraging cross-industry partnerships and regulatory advocacy. Airbus has set ambitious targets for its own use of SAF in operations with 15% pure SAF to be incorporated into 2024 operations with a commitment to increase the share of SAF used in its operations progressively up to at least 30% by 2030. All Airbus aircraft and helicopters are capable of flying on a maximum 50% blend of SAF and conventional fuel, and by 2030, they will be capable of flying with up to 100% SAF.

The UK Government has specifically committed to have begun construction on five commercial-scale SAF Plants by 2025 (of which two are currently under development). Indeed, Airbus was part of the first 100% SAF flight in the UK with the Royal Air Force Voyager aircraft in 2022.

Airbus is a full member of the Jet Zero Council, a partnership between industry and government that brings together ministers and chief executive officer-level stakeholders, with the aim of delivering at least 10% SAF in the UK fuel mix by 2030. The Jet Zero Council is also working on "achieving zero emission transatlantic flight within a generation", driving the ambitious delivery of new technologies and innovative ways to cut aviation emissions. Airbus representatives are contributing to all of the Jet Zero Council delivery groups, including the "Zero Emission Flight Group", which we hosted at Filton in 2023. We also, alongside the likes of easyJet, Rolls-Royce and numerous others, established the Hydrogen in Aviation (HIA) Alliance in 2022 with the aim of supporting the UK Government to develop a hydrogen roadmap.

New technologies are constantly in development at Airbus with investment in R&D projects and collaborations increasing, including working closely with the Aerospace Technology Institute (ATI). Airbus welcomed the uplift and extension of ATI funding and the support from Minister Ghani, who opened the new "Zero Emission Development Centre" at Filton in July 2023. Additionally, the Government announced during the 2023 Autumn Statement that there would be an extension of additional funding through the ATI of £975m to be distributed from 2026 to 2030. This will help to further support R&T programmes for wings, fuel systems and landing gear within the UK.

#### Ethics and Compliance

Airbus is committed to the highest ethical standards of integrity, transparency and professionalism. All Airbus employees are expected to uphold the Airbus Values and adhere to the Airbus Code of Conduct in all aspects of business life. The Airbus Code of Conduct outlines the guiding principles for daily business, including the group's relationships with business partners, fellow employees, shareholders and governmental authorities.

## **Strategic report** (continued)

### **Non-financial and sustainability information statement** (continued)

#### *Ethics and Compliance* (continued)

Airbus has worked over the past several years to develop an Ethics & Compliance programme that is structured around the following key risk areas: Business Ethics / Anti-Corruption, Export Control Compliance and Data Protection. Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

The Company employs a dedicated full-time Ethics and Compliance Manager as well as an Export Control Manager who are part of the Airbus Ethics and Compliance function. They are responsible for supporting and advising across the Company on compliance related topics, supporting the day-to-day business, performing risk assessments, conducting third party due diligence, investigating compliance allegations, implementing tools and controls and delivering compliance training.

In addition to the dedicated Compliance professionals, Airbus is co-ordinating a network of part-time Ethics & Compliance Representatives (“ECRs”). The number of ECR’s remains at 16 for 2023. Although the ECRs are not compliance experts, they play an important role in promoting the Ethics & Compliance programme and culture and serve as points of contact for any employee who has questions about the Ethics & Compliance programme or wishes to raise an Ethics & Compliance concern, including, but not limited to, bribery or corruption. The Ethics & Compliance team animates the ECR network, providing continuous training and information to the ECRs.

In February 2022, Airbus launched the Export Control Points of Contact (“EPoCs”) network. Similar to ECRs, EPoCs are not export control experts but serve as “first line of defence” and the “go-to” individuals for export control matters. By the end of 2023, the network was established and active within the business with a total of 16 EPoCs.

In 2023, Airbus conducted a dedicated bribery and corruption risk assessment, the results of which were presented to the group’s top management. The results of this risk assessment are embedded and monitored within the group’s ERM framework and highlight, among others, the risk of improper payments being made to or via third parties such as sales intermediaries, lobbyists and special advisors, suppliers, distributors and joint venture or offset partners. Further corruption risks include the use of sponsorships, donations, or political contributions to improperly benefit decision-makers, or the provision of excessive or overly frequent gifts and hospitality by Company employees.

In order to ensure its compliance with Export Control regulations and laws in the EU, UK, US and all the countries where or with whom it operates, Airbus continues to strengthen its Export Control compliance programme to ensure it is fit for purpose. Where risks are identified, they are embedded and monitored in the Company’s ERM. Identified risks include potential unauthorised access to export-controlled data and hardware by third parties and non-compliance with any regulations including but not limited to the International Traffic in Arms Regulations (“ITAR”), Export Administration Regulations (EAR), European Union and national military and dual-use regulations.

As part of their annual goals & objectives for 2023, all Company employees were required to undergo a minimum amount of compliance training via e-learning. Additionally, depending on the function and the level of risk implied by their role, certain employees were elected to attend live classroom training, including on Anti Bribery & Corruption and Export Control.

The Company encourages employees and third parties - including but not limited to contractors, subcontractors, direct or indirect suppliers, and local communities around our and our suppliers' sites – to speak up about concerns related to the Company. Concerns may be raised through various channels, including through Open Line (available at <https://www.airbusopenline.com>). The Company protects those who speak up and raise concerns appropriately and in good faith. The Company does not retaliate against anyone who raises a concern, or against those who assist in investigations of suspected violations. The speak up channels and the non-retaliation principles are both included into various team talks, e-learnings, anti-bribery and corruption training, and otherwise communicated frequently.

## Strategic report (continued)

### Non-financial and sustainability information statement (continued)

#### Corporate Social Responsibility (CSR)

Airbus takes global collective action throughout the world to support communities with a focus on key priorities: education and youth developing, and environmental actions - with both areas aiming to support and develop vulnerable communities. Products, services and employees are mobilised with focus on equitable and measurable solutions, in line with Airbus group purpose. The sustainability organisation at corporate level manages the global CSR strategy, processes and tools within Airbus and supports the operations of the Airbus Foundation. A global network of community impact focal points representing the major countries where the group operates drive local partnerships and engagement, as well as a committee of specific topic experts who provide overarching assessment, guidance and recommendations.

In the UK, CSR projects have focused substantially on youth development, with a particular focus on STEM (science, technology, engineering and mathematics) and environmental education and awareness. During 2023, Airbus kicked off a two year partnership with a non-profit organisation, Ocean Generation, to help scale up their Wavemaker programme which supports young people in bringing a sustainability mindset into any career route with the knowledge and confidence to influence change. During the second year of the partnership, Ocean Generation will focus on expanding the deployment of Wavemakers, aiming to educate 3,000 young people globally on climate literacy and ocean threats, as well as deployment to early-career employees within Airbus in the UK. Airbus also partnered with the North Wales Wildlife Trust on the 'School Orchards' project to restore/ plant orchards within the grounds of six schools in Broughton, and delivering biodiversity workshops to almost 150 students.

#### The Airbus Foundation

The Airbus Foundation continued its Discovery Space youth programmes in Filton and Broughton, reaching more than 1,000 students with engaging STEM content and focused workshops during the 2023 school year. On a global scale, the Airbus Foundation enriched its offering for young people by publishing a self-development booklet for teens to support well-being and awareness of topics such as on-line safety, unconscious bias and empathy. In 2022, the Foundation's youth programmes reached 25,000 students in total across 34 locations.

The Airbus Foundation also continued its collaboration with UK-based non-profit organisation Connected Conservation Foundation (CCF), which aims to protect wildlife and natural ecosystems through technology. By providing access to satellite imagery and data, the Airbus Foundation has supported CCF in its conservation efforts in South Africa and Kenya, also expanding the offering to additional countries and causes via CCF's Satellites for Biodiversity Award. The first year's award winners worked on risk mapping of wild elephants in Thailand, saving tree kangaroos and echidnas in Papua New Guinea, safeguarding desert elephants in Namibia and accelerating the application of earth observation data and AI for conservation in the Masai Mara.

The Airbus Foundation continued to work with its partners to provide humanitarian response, carrying more than 379 tons of aid by providing 21 helicopter and aircraft flights in response to earthquakes, conflict, flooding and other crises, in countries including Turkey, Central African Republic, Sudan and Libya. In addition, the Foundation provided 47,165km<sup>2</sup> of satellite imagery coverage to its partners worldwide to facilitate assessment and response planning, coordination and customised project analysis.

#### Impact on the UK economy

Aviation continues to play a vital role in the UK economy. The UK aerospace sector is the third largest in the world. An independent assessment by Oxford Economics estimated that Airbus's global operations in 2022 supported around 79,000 UK jobs including 29,000 supported at UK SMEs, who make up half of Airbus extended supply chain.

Airbus also recognises the importance of its local communities to its business. Every year Airbus supports many community activities focused on youth, education and the environment.

## **Strategic report** (continued)

### **Non-financial and sustainability information statement** (continued)

#### *Attracting Talent to our Business*

Attracting a steady flow of talent into Airbus is crucial. Airbus is a global leader in the aviation industry, offering career opportunities for individuals who are passionate about innovation and technology. With a diverse range of functions, from engineering to marketing, and operations to finance - and opportunities for employees to work across these functions - Airbus provides a work environment that challenges employees to push the boundaries of what is possible. With a commitment to employee development and growth, Airbus invests in its people and provides them with the tools they need to succeed. In the UK our organisation offers opportunities to all talent groups - from school leavers to experienced professionals.

Many of our employees and senior managers are involved in initiatives to inspire young people, influence education policies and champion the need to invest in and foster engineering talent in particular. Airbus in the UK has an award-winning apprenticeship programme responsible for enrolling around 3,000 apprentices over the last three decades, with more than 250 apprentices currently pursuing their qualifications within Airbus. Airbus also attends and runs events to inspire young people in STEM subjects and in particular, in aviation.

Airbus is a founding member, together with the Royal Aeronautical Society, the Royal Air Force, and the University of the West of England (whose research highlighted the importance of mentoring in people's career development) of the alta mentorship programme for professional women in the aviation and aerospace sector. It now has more than 500 members and 200 mentoring relationships.

#### *Employee Engagement*

At Airbus we recognise that our employees are key stakeholders within our business. We engage with employees through regular internal communication on specific corporate and local topics of interest.

In 2023 Airbus continued to engage with employees through a range of internal communications channels. These included an employee intranet portal, direct emails, Airbus TV, noticeboards around site and monthly communication briefing sessions for managers, who then cascade messaging to their own teams. All communication techniques are evaluated for impact and reach, and trends and themes identified are used to inform future communication techniques.

With regards to employee engagement in sustainability specifically, Airbus has a dynamic sustainability ambassadors network which has grown to more than 850 members globally since its launch in June 2021. In the UK, there are almost 100 ambassadors who support in raising awareness about sustainability, as well as cascade resources deployed through Airbus's sustainability culture change action plan. Ambassadors also access monthly Sustainability Action Events to get deeper insights on key strategic topics. Airbus has deployed a global digital platform, +impact, which offers opportunities for undertaking actions in their local communities, as well as participating in sustainability challenges based on sustainability themes. Examples include challenges around World Water Day, Digital Clean Up Day, and Inclusion & Diversity topics such as 'belonging'. Deployed in November 2022, almost 20,000 employees have been onboarded to the platform, contributing to raising funds for non-profit organisations, volunteering in their local communities and completing the sustainability challenges.

#### *Environment Health and Safety*

The health and safety of our employees remains a top priority for Airbus. Our Environment, Health and Safety (EHS) management system enables employees to work safely, by providing relevant skills, training, information and enabling identification and appropriate control of risks. Regular performance reports are provided to senior management. Our safety performance has improved significantly as a result of our consistent approach at all levels of the organisation aiming to identify and eliminate the causes of accidents and to manage risks appropriately, including requirements for reporting and thorough investigation of injuries. Our successful 'near-miss' reporting continues to identify areas of improvement to drive down accidents at work and improve our overall safety performance.

Our in-house Occupational Health team manages all appropriate health surveillance and any work related health issues are followed up and reported appropriately. Occupational Health continues to offer employees significant health support which includes a range of physiotherapy treatments and comprehensive mental health assessment and support on and off the sites including 450 employees trained as Mental Health first aiders. Health promotion is carried out on a regular basis and five self-operated health check machines are in use.

## **Strategic report** *(continued)*

### **Environment Health and Safety** *(continued)*

Airbus takes its environmental responsibilities seriously and our Environmental Management System is accredited to ISO 14001. We constantly strive to reduce emissions, waste, water and energy usage to minimise any adverse environmental impact our activities may create. Regular sustainability reviews are held at both main UK sites developing new ideas and driving environmental improvements in support of the Airbus purpose to pioneer sustainable aerospace for a safe and united world.

We are working in close partnership with our Trade Union colleagues on health and safety. Trade Union Safety Representatives attend health and safety review meetings and Senior operational and EHS managers attend Trade Union safety meetings. This integrated approach has been instrumental in our EHS improvement journey which includes the sharing of best practice via the Airbus global People Safety @ Work initiative which also includes culture change.

### **Climate Related Financial Disclosures - Governance**

#### *Description of the company governance arrangements in relation to assessing and managing climate-related risks and opportunities*

The Airbus Board of Directors has primary oversight of climate-related risks and opportunities. In 2023 Airbus decided to strengthen Board oversight of sustainability, including climate-related risks and opportunities, with the creation of a Chief Sustainability Officer (CSO) position.

The Board of Directors is supported by the Ethics, Compliance and Sustainability Committee (ECSC). In practical terms, the ECSC, as a committee of the Board of Directors, oversees strategic decision-making and the execution of the approved sustainability strategy, including areas such as innovation and environmental and climate action.

In 2023, the ECSC reviewed and provided guidance on a wide variety of climate-related topics, including climate disclosures, internal strategy related to SBTi targets and Sustainable Aviation Fuels.

To support the Executive Committee in environmental matters, including climate-related matters, an Environment Committee (“EnC”) was established in 2019. The EnC is composed of a member of the Executive Committee and senior executives, group wide, and responsible for environmental topics. It meets every two months to review progress and take decisions on all matters related to environmental strategy including reviewing progress on meeting objectives to reduce GHG emissions, the decarbonisation strategy and climate-related risks and opportunities.

Company Directors have oversight of climate-related risks and opportunities potentially impacting the Company. Company Directors meet monthly with senior management to review progress and take decisions on topics including progress against sustainability targets, and climate-related risks and opportunities. During 2023, Company Directors considered the need for early assessment of climate-related risks at UK production sites, and the approach to quantifying the Company share of Airbus climate-related risks. Directors subsequently endorsed early assessment of Company assets and an approach to quantifying the Company’s share of Airbus group climate-related risks and opportunities. The Company Directors escalate, where appropriate, climate-related risks and opportunities to the Airbus EnC.

#### *Management’s role in assessing and managing climate-related risks and opportunities*

Management and ownership of climate-related risks and opportunities are embedded throughout the Airbus group.

The Airbus group environmental strategy is implemented operationally by dedicated multi-functional teams at the Airbus and Company level. These teams cover topics such as industrial and site impact, product operation, supply chain and chemical substances. Material risks and opportunities are reviewed monthly by heads of functions and are collectively considered monthly by the Company’s senior leadership team meeting, chaired by a Company Director.



## Strategic report (continued)

### Climate Related Financial Disclosures – Governance (continued)

#### Management's role in assessing and managing climate-related risks and opportunities (continued)

The Company's senior management team has a key part in escalating material sustainability and climate-related risks and opportunities to the Executive Committees for consideration within the Board agenda, governance framework, sustainability strategy, and where relevant, financial plans to progress opportunities or address climate-related risks.

Company Directors are also supported by the UK Sustainability team which provides awareness and clarification of applicable regulatory requirements, guidance and, where relevant, support to enable the effective integration of Airbus sustainability functional requirements. The UK Sustainability team also provides oversight and review of the development of climate-related risk and opportunities with relevant functional leads. The most significant climate (and other sustainability) related risks and opportunities are escalated to the Company Directors and the Airbus Sustainability team for further consideration, and possible further escalation to the EnC.

### Climate Related Financial Disclosures - Strategy

#### Description of the climate-related risks and opportunities identified over the short, medium and long-term

Climate change may have a major impact on both Airbus's industrial operations and its upstream and downstream value chain, including directly on aircraft operations and the wider air transport ecosystem, along with a strong influence on regulations and stakeholders' expectations. Accordingly, climate-related risks could materially affect Airbus's business and competitiveness, its customers and other elements of the aviation industry.

Airbus uses the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") to categorise, manage and report on its climate-related risks and opportunities. Accordingly, Airbus has strengthened its ERM risk identification process for climate-related risks and opportunities by incorporating climate scenario analysis, and uses the following TCFD risks categories for managing and reporting:

- Transition risks - Technology, Market, Policy and Legal, Reputational
- Physical risks - Acute, Chronic
- Opportunities - Market, Products and services, Energy sources

The scope of the climate-risk identification exercise comprises the entire Airbus group, including the Company, and the upstream and downstream value chain.

Following TCFD recommendations, Airbus updated its climate change scenario analysis during 2023. It uses a range of different temperature scenarios (1.5°C, well-below 2°C and >3°C) to represent different climate realities based upon the global scenarios of the Intergovernmental Panel on Climate Change ("IPCC" - Assessment Report 6 ("AR6")) and the International Energy Agency ("IEA").

The scenario analysis is used to identify financial and operational risks and opportunities related to climate change according to the above-mentioned categories, that may begin to impact Airbus in the short-term (around 2025), medium-term (around 2035) and long-term (around 2050) so that Airbus can work to increase the resilience of its assets and operations in order to mitigate and adapt to climate change. The Company is fully aligned with the Airbus group level climate scenario analyses which, in turn, are aligned with the TCFD recommendations, and the Paris Agreement objectives. The timeframes outlined above are in line with the Paris Agreement objectives.

The climate scenarios used in the updated analysis in 2023 are summarised in the table on the next page.

## Strategic report (continued)

### Climate Related Financial Disclosures – Strategy (continued)

Description of the climate-related risks and opportunities identified over the short, medium and long-term (continued)

|                   |  |
|-------------------|--|
| <b>1.5°C</b>      | <p><b>Aggressive mitigation - Limiting warming to 1.5°C</b> - Based on <u>IPCC Assessment Report 6 (AR6) Scenario Shared Socioeconomic Pathway (SSP)1-1.9 / Net Zero Emissions by 2050 Scenario (NZE)</u> by the IEA which reflects the ambition of the Paris Agreement to the United Nations Framework Convention on Climate Change (Paris Agreement)</p> <p>This is an ambitious scenario that limits global warming to 1.5 °C by the end of the century. In this scenario the global energy sector achieves net-zero CO<sub>2</sub> emissions by 2050 and the world reaches the objective of the Paris Agreement. Developed countries (e.g. including those within the European Union) accelerate in decarbonisation. Societies adopt practices to enable the required levels of reduction of emissions, including increasing investment in, and development of, technologies that could reduce emissions of the transport sector in developed countries and limit emissions growth in developing countries. Policies to decarbonise are introduced immediately (2020s), with these policies diverging across sectors and regions and differing in both the timing of their deployment and their reach.</p> <p>Mitigation strategies implemented worldwide and across sectors include: (i) transitioning from fossil-based energy to very low or zero-carbon sources including hydrogen and high density biofuels for aviation; (ii) carbon capture utilisation and storage is used in remaining fossil-fuels facilities; (iii) improvements in energy efficiency are implemented (however additional mitigation technologies for aviation are required); (iv) both nature- and technology-based Carbon Dioxide Removals (“CDR”) are deployed to the levels required to neutralise global residual GHG emissions; and (v) countries implement measures towards restricting demand for transport services while supporting the shift to more energy efficient and low carbon intensive products and transport modes.</p> <p>Severe weather events are more frequent, but the world has avoided the worst consequences of climate change.</p> |
| <b>WB<br/>2°C</b> | <p><b>Strong mitigation – Warming limited to well-below (“WB”) 2°C</b> - Based on <u>IPCC Scenario AR6 SSP1-2.6 / Sustainable Development Scenario (SDS) Scenario</u> by the International Energy Agency - Paris Agreement</p> <p>This scenario assumes a more gradual approach in the introduction of climate mitigation actions, limiting global warming to well-below 2°C by the end of the century. Net-zero emissions are achieved around or after 2070. In this scenario the same socio-economic trends presented in the scenario limiting 1.5°C are maintained but economic and social development progress is slower and the environment experiences further degradation.</p>  |
| <b>&gt;3°C</b>    | <p><b>Disorderly mitigation – Warming exceeding 3°C</b> - Based on <u>IPCC Scenario AR6 SSP5-8.5</u></p> <p>This is the highest emissions scenario and worst-case scenario in temperature increase. This scenario assumes current levels of CO<sub>2</sub> emissions and greenhouse gases will almost double by 2050. The world economy grows rapidly, but this growth is driven by fossil fuel exploitation and very high-intensive lifestyles. This scenario is characterised by high economic challenges and high social negative impacts and challenges for specific societies to mitigation as well as low socio-economic challenges to adaptation. The scenario particularly explores the limits to adaptation and the climate physical risks that may impact Airbus’s operations and its value chain. On the mitigation side, in this scenario the pursuit of CO<sub>2</sub> removal and other climate engineering practices would be more likely given the high challenges to mitigation.</p>  |

## Strategic report (continued)

### Climate Related Financial Disclosures – Strategy (continued)

The results of the Airbus group climate scenario analysis led to the identification of the following risks and opportunities that are applicable to Airbus and the Company:

#### Climate-related risks

- **Transition - Technology: Emergence of disruptive technologies from competition and low availability of renewable and low-carbon energy**

Delivering on existing commitments and potential future requirements to mitigate climate impacts will require significant investments in new technologies for the commercial aircraft sector, making the delivery of low-emission technologies a significant marker of future competitiveness. A competitor or new market participant could have access to technological developments unavailable to Airbus that offer significantly lower emissions at a faster pace than it and its partners, resulting in a loss of market share and competitiveness with resulting reduced revenue. Therefore, Airbus needs to develop new technologies faster than other actors in the market. This will require substantial research and technology (R&T) and research and development investments. Coupled with the need to sustain high investments to spur technological innovation, Airbus has identified risks linked to the availability of renewable and low-carbon energy. First, there is the risk of low volumes in absolute terms, due to insufficient investments in renewable or low-carbon energy (including through the sustainable transformation of available biomass). Second, the risk that even if total volumes are approaching sufficiency in absolute terms, the aviation sector is unable to access sufficient volumes, leading to a risk of a slower than expected substitution of fossil fuel energy and low uptake of the new solutions and products to be developed by Airbus, and resulting in lower or longer returns on invested R&D, with concomitant financial impacts on the Company.

- **Transition - Market: Impact of market measures and their development on demand for Airbus's products**

Accommodating new types of aircraft that respond to the aviation sector's decarbonisation objectives requires an ecosystem that is ready. For instance, the development of future products based on the ZEROe concepts will require significant investments in both products and supporting infrastructure, which could directly impact the operating costs of such a product. Consequently, the absence of measures to stimulate robust hydrogen, synthetic fuels and biofuels supply infrastructure and adapted procedures to ensure efficiency and safety of operations could mean that the ecosystem will be unable to accommodate Airbus's future products, notably resulting in significant development costs incurred and a risk of compromising the investments made if customers are unable or unwilling to purchase products that cannot be widely operated within the available infrastructure and procedures. The cost to mitigate the risk is principally the cost of the personnel engaged in building industrial partnerships to develop the relevant infrastructure and hydrogen related ecosystem. This cost is estimated to be approximately £2m for the group based on 2022 figures.

Moreover, the competitiveness of this next generation product will also strongly depend, among other factors, on the evolution of the price of CO<sub>2</sub> emissions. A high price on CO<sub>2</sub> may impact the demand for aircraft relative to competitors' portfolios, which may exploit lower carbon technologies, and could result in the loss of market share for Airbus. The Company's business, results of operations and financial condition may be materially affected if Airbus does not, at each step of development of its future products, account for market expectations while ensuring its products stay affordable for customers and competitive with respect to competitors' portfolios.

## Strategic report (continued)

### Climate Related Financial Disclosures – Strategy (continued)

#### Climate-related risks (continued)

- **Transition - Policy and legal: Climate-related regulations and restrictions - divergence in regulatory framework**

Aviation and aerospace are complex industries, with long product development cycles and where change takes a long time to be implemented. A rapid evolution of climate-related policies (such as the UK Carbon Border Adjustment Mechanism) and regulatory frameworks (CO<sub>2</sub> standards, sustainable finance, emissions trading systems, aircraft operation restrictions, among others) could generate fast-changing requirements and could obstruct new product development pathways. In particular for aviation, as it is a global industry, policies and regulations implemented at national or regional rather than international level, or these evolving at a different speed depending on the region, could result in a negative impact on the competitive conditions for manufacturers and aircraft operators. This could result in a loss of competitiveness for Airbus and reduced demand for its products, with concomitant impact on the Company.

- **Transition - Reputation: Change in behaviours, perceptions and societal expectations**

Reputational risks could be divided into several categories. Firstly, there is a risk that negative perceptions about the Airbus environmental performance could be used as key decision-making criteria for consumers, investors, or even new talents. Secondly, there is a risk that Airbus' reputation could be damaged by growing societal concerns about the climate change impact of aviation or by the lack of transparency on progress made to address climate-related issues. As an example, Airbus was the first manufacturer to disclose its ambition to bring a hydrogen-powered aircraft to the market. If the ambition is perceived as unattainable or if Airbus is not able to deliver on its ambition, this could result in reputational damage leading to less investment, loss of revenues and reduced attractiveness. A similar situation could occur if Airbus's environmental performance is not on par with its expressed ambition.

- **Physical - Acute: Extreme weather events may impact the Company's products and its operations**

The foreseen consequences of climate change include more frequent extreme weather events, such as drought, dust storms, extreme temperatures, extreme winds, flood, hail storms, landslides, hurricanes, tornadoes, cyclones and wildfires. These could negatively impact Airbus products and its operations (including but not limited to route delays and safe aircraft operations), land assets, access to resources, and infrastructure as well as employees' safety (and people's safety generally).

The above consequences and impacts may result in production or other operational disruption leading to lost revenues, reduced profits, and losses. This could result in the need for additional modifications to Airbus products in order to meet more stringent safety needs, as well as requiring changes to industrial operations and procurement strategy, leading to increased operational and production costs and the consequential costs of adapting the Airbus insurance coverage.

In a worst case scenario where a site would need to be rebuilt, and the production moved to other sites, the estimation of the impact may be a reduction in Airbus Commercial division revenue of 50% over one year, which would be around €20.7bn based on 2022 revenues. The cost to Airbus to mitigate the risk is linked to the cost of staff working on insurance, which is around £1m for the group based on 2022 figures.

## Strategic report (continued)

### Climate Related Financial Disclosures – Strategy (continued)

#### Climate-related risks (continued)

- **Physical - Chronic: Consequences of long-term changing weather patterns that may cause sea level rise, water scarcity, chronic heat waves, chronic cold, increased industrial asset, infrastructure and operations costs, and reduced labour productivity and employee health**

The foreseen consequences of climate change include long-term shifts in climate patterns (e.g. change in precipitation patterns, ice/permafrost melt, ocean acidification, sustained higher temperatures, sea level rise, water stress or chronic heat waves). Such changes may cause an accelerated degradation of Airbus's industrial infrastructure and assets (buildings, tools, hardware), may reduce the availability of operational resources and may interrupt logistics flows, access to resources, therefore impacting Airbus manufacturing activities. In addition, the change in environmental conditions could also negatively impact the performance of products in operation and negatively impact the health and safety of the group's employees. This may result in the need for additional modifications to the Airbus products, as well as to industrial operations and procurement strategy, leading to increased costs and the adaptation of Airbus's insurance coverage.

Continuing the exercise performed in 2022 and the physical risks identified above, during 2023 Airbus launched a detailed assessment of the exposure to climate change of the Company's largest manufacturing site, Broughton, during late 2023. An assessment of Filton is expected to follow during 2024. This exercise will continue and extend from 2024 and include an assessment of the Airbus supply chain, and its resilience. The focus is intended to be exploring the vulnerability to climate-hazards (heat and cold; wet and dry; wind; snow and ice; coastal and open ocean).

#### Climate-related opportunities

- **Products and services - Demand for energy-efficient products**

Demand for more energy-efficient products (driven by increased or high energy costs, carbon pricing and climate commitments) or products allowing the use of other energies could lead to accelerated airline fleet replacement and to new business lines. If replacement of older aircraft was to take place with the newest, more efficient products, this would allow the aviation sector's and Airbus's scope 3 GHG emissions to significantly reduce, as well as generating additional revenue for the group. The latest generation products offer improved fuel economy and lower CO<sub>2</sub> emissions by, on average, 20% compared to the products they replace. As these products currently make up 25% of the global commercial aircraft fleet, then replacing older aircraft (75% of the fleet) with the newer, more efficient generation is an important and effective lever for decarbonising air transport. In this scenario the opportunity (increased revenue) is estimated at €63m per aircraft sold based on 2022 figures. The cost to realise this opportunity is estimated at €56m per aircraft based on 2022 figures. The value to the Company of these actions is estimated to be £1m per additional aircraft, based on the Industrial Key (the mechanism by which Commercial division costs are collated, analysed and results are shared - refer to note 1.13).

- **Energy source - Energy diversification**

As Airbus enters the field of renewable and low-carbon energy (including carbon removal technologies, and through partnerships and in collaboration with stakeholders) in order to position Airbus in the energy value chain and contribute to the Paris Agreement objectives, Airbus, and/or the Company, may also identify further business opportunities. In particular, the Company has during 2023 increased the deployment of solar power on its sites and is investigating the potential use of heat pumps and/or the use of renewable hydrogen to replace fossil fuel energy sources.

## Strategic report (continued)

### Climate Related Financial Disclosures – Strategy (continued)

#### Climate-related risks and opportunities

Based on a qualitative analysis, Airbus has estimated the probability of risk or opportunity materialisation. It has also performed a preliminary internal assessment, using data from the Airbus group wide ERM system, to identify the climate-related risks that may have the most significant financial impacts in the future. The results (as of the publication date of this document) are displayed in the following table.

The scope and the assessment of risks and opportunities covered through this approach are subject to widening and revision, as the methodology and process further mature. Mitigation actions to address these risks and opportunities are presented in the Transition plan section.

| Airbus's climate-related risks and opportunities mapping | Climate scenario / and time horizon(s) where risk or opportunity likelihood is considered medium or high, |         |         | Most important financial impacts before mitigation | Key associated actions presented in the Airbus transition plan  |
|--|---|---------|---------|--|---|
|  | 1.5°C   | WB2°C   | >3°C    |  |   |
| <b>RISKS</b>   |   |         |         |  |   |
| Transition - Technology                                  | M   | M       | S, M, L | ✓  | - Supporting fleet renewal by delivering latest generation aircraft   |
| Transition - Market                                      | M, L  | M, L    | M, L    | ✓  | - Developing and deploying Sustainable Aviation Fuels (SAF) ecosystem, with the ambition for all aircraft types to be capable of flying with up to 100% SAF by 2030 |
| Transition - Policy and legal                            | S, M, L   | S, M, L | S, M    |  | - Investing in smart air traffic management (ATM) solutions and optimised operations  |
| Transition - Reputation                                  | S, M  | S, M    | S, M    |  | - Engaging employees, value chain and the ecosystem   |
| Physical - Acute   | L   | L       | L       | ✓  | - Researching Non-CO2 effect impacts  |
| Physical - Chronic                                       | -   | L       | M, L    | ✓  | - Exploring CO2 capture technologies  |
| <b>OPPORTUNITIES</b>                                     |   |         |         |  |   |
| Product and services                                     | M, L  | M, L    | M       | ✓  | - Marketing products and services supporting climate monitoring and adaptation  |
| Market   | S, M  | S, M    | S, M    | ✓  | - Investing in technologies to reduce product emissions, including the objective to bring a hydrogen-powered commercial aircraft to market in 2035.                 |
| Energy source  | S, M, L   | S, M, L | S       |  |   |

S = Short term, M = Medium term, L = Long term

#### Transition plan

Based on the International Energy Agency remaining global carbon budget, and the share it allocates to air transport, air transport can grow at up to a certain level and meet the Paris Agreement objectives. This relies in part on technological developments to improve the efficiency of air transport, in which Airbus and its suppliers have a role to play. This approach also echoes “net-zero carbon emissions by 2050” ambitions from international sectoral bodies such as the Air Transport Action Group (ATAG), as well as the UN specialised civil aviation body, the International Civil Aviation Organization (ICAO). This is consistent with Airbus's near-term target setting, covering all three scopes, and with its core product policy that focuses on developing and delivering aircraft capable of lower carbon emissions while engaging with the energy ecosystem. The cost of such a transformation of the sector is expected to be substantial. In particular, the carbon price (through taxation, emissions trading and crediting schemes) and the extra cost for SAF and/or higher investments are likely to materially impact business models of operators.

## **Strategic report** *(continued)*

### **Climate Related Financial Disclosures – Strategy** *(continued)*

#### *Transition plan (continued)*

Based on identified risks and opportunities, Airbus has established a transition plan covering its industrial operations, products and services, supply chain, and employees, including relevant targets, against which performance is monitored and reported. For GHG emissions, this plan is based on a scientific approach and is consistent with the aviation sector's long-term aspirational decarbonisation goal of reaching net-zero carbon emissions by 2050. Its success will depend on coordinated cooperation across the sector. Airbus is engaging with various actors in the aviation sector to contribute to the transition towards a low-carbon economy. Airbus is working to embed just and inclusive transition principles in its decarbonisation plan. For example, social and human rights criteria are considered in SAF standards, or have been included in the Airbus carbon offset strategy in order to safeguard communities that are in proximity to selected projects, or even create opportunities for them. It is also essential that the development of new technologies driving the sector's decarbonisation efforts takes into consideration any undesired environmental and social side effects, such as inappropriate land use impacting local communities, and human rights. Airbus will strive to consider and avoid these impacts, and to engage accordingly with relevant stakeholders in constant dialogue.

The required transformation of the sector also implies the emergence of new technologies and associated ecosystems, with expected impacts on jobs and required skills. Preparing the workforce for such changes will be both a social duty and an important success factor. Consequently, Airbus has updated its sustainability competencies strategy and is developing training, awareness, and engagement plans in a multifunctional team in order to drive culture change and support the workforce for the transformation. Airbus is also working with non-profit organisations that are engaging global young talent around topics of climate change to build their capacity and prepare them for transition.

### **Climate Related Financial Disclosures – Resilience in the context of climate change**

#### *Industrial operational resilience*

As set out above, Airbus is evaluating physical risks linked to climate change for its industrial operations with reports for the two key Company sites expected during 2024, which should enable the Company to better prioritise related mitigation plans.

As described above, Airbus has also established a transition plan covering its industrial operations, products and services, supply chain, and employees, including relevant targets, against which performance is monitored and reported. Concrete actions include engagement of suppliers within the CDP (formerly known as the Carbon Disclosure Project). Airbus fosters transparent reporting to ensure that suppliers integrate their carbon impact into their strategy to reach "net zero GHG emissions" targets. Life cycle assessments will be required for Next Generation Aircraft and the carbon footprint of some materials, performance of Airbus's logistics and the introduction of the Airbus shadow carbon cost (€150/tCO<sub>2</sub>e) in the "make or buy" decision making process could be relevant projects.

#### *Product resilience*

Aircraft products are sensitive to weather phenomena during their operation phase. The adaptation of aircraft design and operation to the changing climate is therefore an important activity to be anticipated, in particular given the long lead time associated with aircraft development and operation. The European Union Aviation Safety Agency (EASA) has recently launched an industry working group under the name European Network - Impact of Climate Change on Aviation (EN-ICCA) with the objective to define a work programme to ensure continuous progress in enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change for the aviation domain, in which Airbus is fully engaged.

## Strategic report (continued)

### **Climate Related Financial Disclosures – Risk management**

#### *Description of how the company identifies, assesses, and manages climate-related risks and opportunities*

Company climate-related risks and opportunities are managed following the Airbus Enterprise Risk Management (ERM) system (see the Risks and uncertainties section of the Strategic Report). A specific sustainability and environment ERM plan integrates additional requirements, defined within the ISO14001:2015 certified Environmental Management System, and provides a set of rules applicable to the entire Airbus group, including the Company, to ensure consistent management of, amongst other things, climate-related risks and opportunities.

Relevant criteria for the evaluation of climate-related risks and opportunities include: financial impact, impact on environmental performance, and impact on Environmental Management System certification, as well as legal, supply chain and reputational aspects.

Material risks and opportunities are raised and managed at functional levels, and reviewed by the relevant functional leads, during monthly Company Senior Leadership Team meetings. Top climate-related risks and opportunities, based on evaluation of their potential impact and likelihood of occurrence, are also reported quarterly to the Executive Committee of Airbus, and Directors of the Company. Top risks are consolidated at the Airbus group level to be brought to the attention of the Airbus Board of Directors and reviewed semi-annually.

A dedicated team within the Airbus Chief Finance Officer's responsibility, the Enterprise Risk Management Centre of Competence (ERM CoC) supervises the implementation and effectiveness of the Risk and Opportunity Management process, which applies to all Airbus companies' activities worldwide. The overall ERM process is based on the ISO31000 standard and described in the "ERM Policy".

Sustainability specific aspects (such as roles and responsibilities and assessment criteria), including climate-related aspects, are elaborated upon in the "Sustainability Risk and Opportunities Management Plan".

The ERM system aims for early identification of short-term (0-3 years), medium-term (4-10 years) and long-term (11-30 years) risks and opportunities covering different time horizons and complement the time horizons under the TCFD.

Climate-related risks and opportunities are identified through regular "identification sessions" at local (team) level, before being consolidated at function, Company and group level. In order to ensure the robustness of climate-related risk and opportunities identification, additional climate-related risks and opportunities identifications sessions are held at Company level using climate scenarios to provide context on a number of key driving forces (environment, technology, social, political, economic), and covering Airbus's direct operations as well as Upstream and Downstream value chain. Identified risks and opportunities are categorised according to the TCFD nomenclature (physical, transitional, etc.).

Each climate-related risk and opportunity is assessed for probability of occurrence and severity of impact (or size of benefit for opportunities), resulting in a criticality level. Criticality levels are "low", "medium", "high", "very high".

The probability takes into account the likelihood for the risk to occur but also considers the time needed to act versus the estimated time of the risk occurrence as well as the confidence level on action plan success.

Severity of impact for climate-related risks (and the reverse for opportunities) is assessed through specific multi-disciplinary criteria including financial, environmental, social, legal, reputation or supply chain impact. These criteria are described in the company-wide "Sustainability Risk and Opportunities Management Plan".

Once the risk criticality is assessed, a specific and detailed mitigation plan is developed, comprising clearly defined actions with timeline and owner. Mitigation plans are followed up and updated as required during regular (quarterly) risk reviews at the appropriate level of the group depending on the criticality level.



## Strategic report *(continued)*

### **Climate Related Financial Disclosures – Risk management** *(continued)*

*Description of how the company identifies, assesses, and manages climate-related risks and opportunities (continued)*

Risk response strategies include:

- Accepting the risk if the criticality level is low (either probability or impact or both) or if mitigation costs are higher than the impact.
- Transferring the risk to a third party (insurance, external contractor, supplier etc) if criticality includes high severity and low probability, and if the third party can more effectively mitigate the risk than Airbus could.
- Reducing the risk criticality by specific mitigation actions in order to lower probability, severity, or both.
- Avoiding the risk by reorienting the business strategy to areas where the risk is reduced or altogether eliminated.

Risks are assessed on a day-to-day basis and reviewed by the relevant functional leads, during monthly Company senior leadership team meetings. Top risks and opportunities are also reported quarterly to the Executive Committee of Airbus, and Directors of the Company.

The Board of Directors, with support of the Audit Committee, supervises the ERM system strategy and business risks and opportunities, as well as the design and effectiveness of the ERM system.

### **Climate Related Financial Disclosures – Metrics and targets**

*Metrics used to assess climate-related risks and opportunities*

Airbus discloses a wide range of metrics associated with climate change including GHG emissions, energy consumption, water usage and waste generation. All the Airbus metrics shown in the table below are linked to the Airbus group purpose, strategy and underpinning sustainability commitment *to lead the journey towards clean aerospace*. As an integral part of Airbus, these metrics are directly applicable to the Company.

| Risk and opportunity      | Metrics  |
|---------------------------|--|
| Transition – Technology   | Investment in research and development   |
| Transition - Market       | Revenue from new products and more efficient aircraft contributing decarbonising air transport           |
| Transition - Legal        | Group and Company GHG footprint, energy consumption and percentage of electricity from renewable sources |
| Transition – Reputational | Airbus sustainability ratings e.g. CDP, Moody’s ESG, S&P Global, ISS                                     |

To evaluate physical risks linked to climate change for industrial operations, Airbus is conducting a more detailed assessment of the consequences on affected sites. The approach includes a preliminary vulnerability analysis with digital filtering to classify and prioritise risk areas, followed by field visits with the support of external experts.

## Strategic report (continued)

### Climate Related Financial Disclosures – Metrics and targets (continued)

#### Metrics used to assess climate-related risks and opportunities (continued)

Four types of hazard areas are analysed related to temperature (frost and cold spells, extreme heat, cooling/heating requirements), the related windward (winter storm, cyclonic, hail/lightning/tornadoes), water (river flooding, coastal flooding, extreme precipitation, drought episodes) and land/ground movements (landslide). This analysis also considers the onset speed of such risks, which should enable the group to better prioritise related mitigation plans.

The Company has two principal sites in the UK, at Filton, Bristol and Broughton near Chester. The Broughton site was assessed for climate impacts during late 2023. Filton is expected to be assessed during 2024.

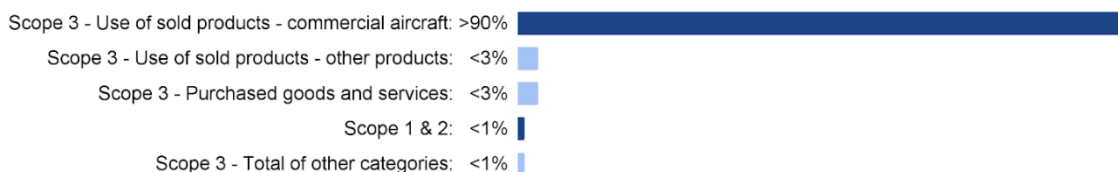
#### Scope 1 and Scope 2 GHG emissions and risks

The Company's energy consumption and associated emissions data, together with our statement of alignment with the Government's Streamlined Energy and Carbon Reporting requirements, are set out within the Streamlined Energy and Carbon Reporting section of the Directors' Report. In summary, the Company is aligned with Airbus group commitments to reduce the environmental footprint of its activities globally by 2030. Objectives are set in absolute values compared to 2015 levels to reduce: energy consumption, CO<sub>2</sub> emissions, water consumption, Volatile Organic Compound (VOC) emissions, and waste production. High5+ engages sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. Specifically on energy and CO<sub>2</sub>, the objective is to reduce energy consumption from stationary sources by 20% and reduce scope 1 and scope 2 Greenhouse Gas (GHG) emissions by 63% in line with a 1.5°C trajectory.

The Company reports its Intensity Ratio as tCO<sub>2</sub>e per revenue £M to provide consistency and comparison with the Airbus group reporting of energy consumption and emissions data.

Climate change is considered by Airbus as a financially material topic and is one of its top risks. Impact materiality was also confirmed through the comprehensive Scope 1, 2 and 3 screening completed as part of Airbus submitting targets for validation of the Science-Based Target Initiative (SBTi), using the recommended Greenhouse Gas Protocol methodology.

While Scope 1 and 2 represent around 0.2% of total emissions each, Scope 3 Category 11 - Use of sold products - has been identified as highly material for Airbus, representing above 90% of total emissions. The second most material was Scope 3 Category 1 - Purchased goods and services, representing around 2.5% of total emissions (see figures in table below). For those categories, more precise methodological inventories have been developed.



CO<sub>2</sub> emissions from commercial aircraft in operation are the most material category. According to both the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), air transport represented over 2% of global man-made GHG emissions in 2022. While this makes the decarbonisation of aircraft operations the absolute priority, addressing emissions from upstream industrial operations, including Airbus's own, is also seen as an important objective. In this context, the Airbus group roadmap to decarbonisation is intrinsically linked to the entire sector. While Airbus has a role in developing and providing technical solutions, the concomitant development of adapted ecosystems will also be a key success factor, which Airbus intends to facilitate and enable.

## Strategic report (continued)

### Climate Related Financial Disclosures – Metrics and targets (continued)

#### Scope 1 and Scope 2 GHG emissions and risks (continued)

In addition, in order to better meet stakeholders' expectations and develop its own climate strategy, Airbus group adheres to the CDP, SBTi and Task Force on Climate-Related Financial Disclosures ("TCFD") initiatives. In 2023, the Airbus group approach to disclosing and addressing its climate change impacts was rated A- by the CDP for the fourth consecutive year (early 2024 release). In addition, Airbus has set its first near-term science-based targets to reduce emissions on all scopes, in line with a 1.5°C temperature pathway for its Scope 1 & 2 emissions, which were validated by SBTi in January 2023.

#### Targets used to manage climate-related risks and opportunities, and performance against targets

In line with the Airbus group purpose, "pioneering sustainable aerospace for a safe and united world", and its aim to lead the transition of the air transport sector towards the goal set by IATA, ATAG and ICAO to reach 'net zero carbon emissions by 2050', Airbus's foremost ambition is to play a leading role in the decarbonisation of the aviation sector. This includes preparing technologies for the next generation of Single Aisle aircraft to be ready in the second half of the next decade, and bringing the first hydrogen-powered commercial aircraft to the market by the middle of the next decade. Airbus also believes sustainable aviation fuel ("SAF") is one of the aerospace industry's key decarbonisation solutions that can be used in both in-service fleets and the flying fleets of tomorrow. In parallel, Airbus is investing significant resources (see Research and Development section on page 8) into examining and reducing the impact of its products in operation (together with many actors within the aviation sector). Consideration of greenhouse gas ("GHG") emissions throughout the value chain is a key focus for the group's analysis of its contribution to climate change. The so-called "non-CO<sub>2</sub>" effects of aircraft operations are also being studied in order to determine their potential climate impact.

The main climate-related targets are:

- Scopes 1 & 2: -63% absolute greenhouse gas emissions by 2030\* and neutralisation of residual emissions;
- Scope 3: -46% greenhouse gas emissions intensity by 2035\*;
- At least 90% direct supply of renewable or low-carbon electricity for all Airbus sites before 2030;
- 100% SAF capable fleet by 2030 for commercial aircraft; and
- Maintain at least 75% of suppliers, by sourcing volume (based on year-1 turnover), responding to the CDP questionnaire.

\* Against 2015 baseline emissions

Climate-related targets are cascaded throughout Airbus, functions, and the Company through functional objectives, and site specific targets. The Company is responsible for implementing effective processes to monitor and assess progress against Airbus group and site based targets. Targets and performance against metrics are set, monitored and reported in accordance with Greenhouse Gas Protocol, Task-Force on climate-related disclosures (TCFD), Science-based Target Initiative (SBTi), Sustainability Accounting Standards Board (SASB), and Global Reporting Initiative (GRI) standards. Targets and metrics are expected to evolve over time, for example, to address new climate-related risks and opportunities.

### Corporate Governance

The Airbus group applies the principles of the Dutch Corporate Governance Code and will report any exceptions in the annually-produced, publicly-available Airbus SE Registration Document (latest version available at <https://www.airbus.com/en/investors/financial-results-annual-reports>). The Board of Directors of the Company follows these principles through the adoption of group-wide policies and procedures.

## Strategic report (continued)

### Corporate Governance (continued)

In addition, the Directors set out below their considerations in relation to the six key principles of the Wates Corporate Governance Principles for Large Private Companies:

- Purpose and leadership – the Executive Committee of Airbus SE determines the strategy and business model of the group with a view to generating long term, sustainable value. The policies, values and culture are implemented group-wide and part of the role of the Board of Directors of each company in the group is to ensure compliance with these standards.
- Board composition – Airbus Operations Limited has a balanced Board, with an appropriate combination of skills, backgrounds, experience and knowledge. The Board comprises representatives from Legal, Finance, Manufacturing and Engineering.
- Director responsibilities – in addition to sponsoring the application of, and adherence to, Group policies, procedures and ways of working, the Board has specific responsibility for:
  - reviewing and approving the statutory accounts;
  - ensuring compliance with UK-specific legislation (including Health & Safety requirements); and
  - assessing environmental data and KPIs, which are areas of increased focus.

Conflicts of interests are documented and managed in line with the group Ethics and Compliance procedures (see ‘Non-financial and sustainability information statement’ section above and Airbus SE Registration Document).

- Opportunity and risk – as outlined in the ‘Risks and Uncertainties’ section above, the Group has established a robust internal control framework and actively considers risks and opportunities that might impact in the long or short term.
- Remuneration – remuneration for Directors and senior managers is aligned with performance, behaviours, and the achievement of company purpose, values and strategy. In particular, variable pay arrangements are linked to company and personal performance, while Long Term Investment Plans encourage greater accountability by linking this element of remuneration to the Airbus SE share price. Remuneration is set by the Group, not by the Board.
- Stakeholder relationships and engagement – as explained in the Section 172 Statement in the following section, the Board actively considers the interests of all stakeholders when determining the strategic direction of the Company.

### Section 172 Statement

In line with the Companies Act requirement, the Directors set out below their key considerations and steps taken with regard to the ‘enlightened shareholder value’ requirements of s172 in performing their duties.

The Board continuously reviews which relationships support the generation and preservation of value in the Company. The Directors have identified the following parties who have an interest in, or are impacted by, the decisions taken by the Company: customers, suppliers, employees, former employees (pension scheme members), the Trade Unions, shareholders, tax authorities, regulators, Her Majesty’s Government, Welsh Assembly Government and local communities. All strategic decisions take into account these stakeholders’ interests and the Directors consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole. In particular, the Directors have considered the following matters:

- Long term factors affecting the Company – as explained in the ‘Risks and Uncertainties’ and ‘Forecast Information’ sections above, the group aligns its development and production strategy with the order book and forecast global demand alongside other factors such as suppliers’ ability to ramp up and ramp down supply, global economic conditions and sustainability targets.
- Interests of the Company’s employees and former employees (pension scheme members) – refer to ‘Employee Engagement’ in the ‘Non-financial and sustainability information statement’ section above.

## Strategic report (continued)

### Section 172 Statement (continued)

- Business relationships with suppliers - supplier relationships are crucial to the success of the Company and are constantly monitored (refer to 'Dependence on key suppliers and subcontractors' in 'Risks and Uncertainties' section above).
- Business relationships with customers – as explained in note 1.13, the Company's main customers are intercompany. The performance of the Company's sites and plants is continually assessed and benchmarked against other group companies. Examples of best practice are shared between transnational sites and embedded wherever possible.
- Business relationships with others – the Company has a number of other stakeholders with which it has business relationships, notably HMRC, the Department for Business and Trade, the Department for Science, Innovation and Technology, and other Government bodies. The Company is an important contributor to the UK economy through job creation, tax payments and Research and Development. The Company always aims to be transparent, provide information in a timely manner and operate in a collaborative manner.
- Impact of the Company's operations on the community and the environment – refer to the 'Non-financial and sustainability information statement' section above.
- Reputation for high standards of business conduct – refer to 'Enterprise Risk Management' in 'Risks and Uncertainties' section above.
- Acting fairly between members of the Company – the Airbus Values, which underpin the day-to-day working environment in which the Company operates, include 'Respect', 'Integrity' and 'We Are One / Teamwork'. There is an expectation that all employees, at all levels in the group, 'live' these Values.

### Post Balance Sheet Events – acquisition of trade and assets from Airbus UK Real Estate Limited

On 1 January 2024, the trade and assets of Airbus Real Estate UK Limited, a 100% owned subsidiary, were sold to the Company. The consideration for the land and buildings acquired was £247,100,206, being the net book value of the assets bought.

By order of the board



**S Partridge**  
Director

Pegasus House  
Aerospace Avenue  
Filton  
Bristol  
BS34 7PA

10 May 2024

## **Directors' report**

The directors present their Directors' report and financial statements for the year ended 31 December 2023.

### **Principal activities**

Airbus Operations Limited undertakes aerospace activities comprising the design and production of wings and associated equipment for the Airbus range of aircraft.

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. The activities of Airbus are the development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.

Airbus's comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 400 seats: the A220; the A320, civil aviation's best-selling product line; the A330 and the A350 including its freighter derivative the A350F.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2022: £Nil).

### **Directors and directors' interests**

The directors who held office during the year were as follows:

Christophe Bardin  
Mark Stewart (resigned 31 December 2023)  
John Harrison (Chairman)  
Paul McKinlay  
Susan Partridge (appointed 29 February 2024)  
Jerome Blandin (appointed 29 February 2024)

Certain directors benefit from qualifying third party indemnity provisions in place at the date of this report.

### **Employees**

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin or disability, subject only to considerations of national security. The company's policy is to provide, wherever possible, employment opportunities for disabled people and ensure that disabled people joining the company and employees who become disabled whilst in our employment benefit from training and career development opportunities.

### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2022: £Nil).

## Directors' report *(continued)*

### **Streamlined Energy and Carbon Reporting**

Airbus Operations Limited is committed to improving its environmental footprint and is undertaking activities framed within the UN Sustainable Development Goals. In 2019, Airbus rolled out High5+, a plan to reduce the environmental footprint of its activities globally by 2030. These objectives are set in absolute value compared to 2015 levels to reduce energy consumption, CO<sub>2</sub> emissions, water consumption, Volatile Organic Compound (VOC) emissions and waste production. High5+ engages sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. Specifically on energy and CO<sub>2</sub>, the objective is to reduce energy consumption from stationary sources by 20% and reduce Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions by 63% in line with a 1.5°C trajectory. In 2022, this target was submitted for the validation of the 'Science Based Targets Initiative' (SBTi) alongside a target for Scope 3, using the recommended Greenhouse Gas Protocol methodology.

The SBTi validated Airbus's near-term GHG emissions reduction target in February 2023. Longer term, Airbus contributes to the ambition set by the International Air Transport Association (IATA), the Air Transport Action Group (ATAG) and the International Civil Aviation Organization (ICAO) to reach net-zero carbon emissions by 2050.

In addition to clear annual targets for each site, local sustainability teams have been set up at all large sites to develop initiatives and maintain progress. In the UK all sites are certified to ISO 14001.

In line with the Government's Streamlined Energy and Carbon Reporting requirements, the Board of Directors sets out below details of emissions and actions undertaken.

#### *Methodology and findings*

The following methodologies have been used to calculate the below CO<sub>2</sub>e emissions:

- The conversion factors used to calculate emissions due to natural gas and company vehicle fuel usage (Scope 1) are the IEA 2022 conversion factors to ensure consistency with Airbus group wide reporting;
- The conversion factor for vehicle fuel usage is the UK Department of Energy Security and Net Zero (DESNZ) Fuels Standard Set (Diesel Average Biofuel Blend) Scope 1, 2023; and
- The conversion factors used for emissions due to electricity usage (Scope 2) are the UK (DESNZ) Electricity Standard Set Scope 2 2023 conversion factors.

#### 2023

| <b>Emissions Source</b>                         | <b>Energy Consumption (kWh)</b> | <b>CO<sub>2</sub>e (tonnes)</b> |
|---|---------------------------------|---------------------------------|
| Scope 1 – Natural Gas and Company Vehicle Fuel  | 114,091,754                     | 21,155                          |
| Scope 2 – Electricity                           | 65,733,878                      | 13,612                          |
| <b>Total (Scope 1 + 2)</b>                      | <b>179,825,632</b>              | <b>34,767</b>                   |
| Turnover (£m)                                   | 4,340                           |                                 |
| Intensity Ratio: tCO <sub>2</sub> e/turnover £m | 8.01                            |                                 |

#### 2022

| <b>Emissions Source</b>                         | <b>Energy Consumption (kWh)</b> | <b>CO<sub>2</sub>e (tonnes)</b> |
|---|---------------------------------|---------------------------------|
| Scope 1 – Natural Gas and Company Vehicle Fuel  | 109,441,810                     | 22,348                          |
| Scope 2 – Electricity                           | 61,282,620                      | 11,851                          |
| <b>Total (Scope 1 + 2)</b>                      | <b>170,724,430</b>              | <b>34,199</b>                   |
| Turnover (£m)                                   | 4,116                           |                                 |
| Intensity Ratio: tCO <sub>2</sub> e/turnover £m | 8.31                            |                                 |

## **Directors' report** *(continued)*

### **Streamlined Energy and Carbon Reporting** *(continued)*

#### *Methodology and findings* (continued)

The increase in Scope 2 energy consumption in 2023 is due to an increase in operations. However this is marginal due the measures that the Company employs to meet our internal High5+ targets.

Reported emissions from electricity consumption increased due to a 7% increase (compared with 2022) in the UK electricity grid CO<sub>2</sub>e factor used which increased due to an increase in natural gas use in electricity generation and a decrease in renewable generation within the UK. Whilst the standard UK grid factor was used in this report it should be noted that during 2023, 70% of the electricity purchased for Airbus sites, in the UK, was from renewable sources with Renewable Energy Guarantees of Origin. Similarly, 3% of gas purchased for Airbus sites was from renewable sources with Renewable Gas Guarantees of Origin, and about 90% of Scope 1 company fuel use was of biofuel origin (hydrotreated vegetable oil).

The Intensity Ratio is reported as tCO<sub>2</sub>e per revenue £M to provide consistency and comparison with our global and national reporting of energy consumption and emissions data.

Scope 3 (personal car usage for business travel) emissions have not been included in the table above on the grounds that they are not material in relation to the Company as a whole (the Scope 3 emissions account for approximately 0.05% of total emissions). Estimated Scope 3 figures for 2023 were 89,500kWh energy consumption / 17 tonnes CO<sub>2</sub>e (2022: 85,000kWh energy consumption / 20 tonnes CO<sub>2</sub>e).

#### *Energy Efficiency*

As part of its strategy to improve energy efficiency, the Company is exploring specific energy improvement projects and maintenance replacements. Replacements under maintenance will be to the latest applicable energy standard.

As many Airbus UK sites include large buildings, for manufacturing and testing activities, lighting is a significant electricity use. Activities in 2023 therefore included the replacement of industrial and office lighting with LEDs at our main sites. For example, at Filton during 2023 we upgraded a 30 year old lighting system with efficient LED light sources, together with enhanced occupancy detection and daylight harvesting in a single, but substantial, building. This resulted in a measured weekly reduction in electricity consumption of about 6,000 kWh.

Building management system controls are also being upgraded at all the Company's main sites to provide more intelligent management of heat in buildings, and associated efficiency gains.

Airbus continues to participate in the Climate Change Agreement scheme, improving performance aligned to the commitments.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Other information**

An indication of likely future developments in the business, particulars of significant events which have occurred since the end of the financial year and an indication of the activities in the field of research and development have been included in the Strategic Report. Also included in the Strategic Report is disclosure on engagement with employees, suppliers and customers, corporate governance code and environmental matters.



**Directors' report** *(continued)*

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**S Partridge**

*Director*

Pegasus House  
Aerospace Avenue  
Filton  
Bristol  
BS34 7PA

10 May 2024

## Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor’s report to the members of Airbus Operations Limited**

### **Opinion**

We have audited the financial statements of Airbus Operations Limited (“the company”) for the year ended 31 December 2023 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard, as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (“the going concern period”).

The Company is part of an inter-company process for the ultimate design and manufacture of commercial and military aircraft. As a result, the ability of the Company to continue as a going concern is based on the ability of the Airbus group to continue as a going concern. We used our knowledge of the Company and Airbus group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Company’s available financial resources over this period were:

- The non-performance of key suppliers due to macroeconomic conditions or failure to meet increasing production rates.
- The timing of forecast aircraft deliveries by Airbus group and the associated cash flows from customers.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by Airbus Group’s financial forecasts

## **Independent auditor's report to the members of Airbus Operations Limited (*continued*)**

### **Going concern (*continued*)**

Our procedures included:

- Critically assessing the intention of Airbus group to continue to trade with the company by making inquiries of the directors and evaluating and challenging the economic rationale for Airbus group to continue to do so.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is wholly derived from recharging costs to a fellow group company and a share of group profits under contractual arrangements which management cannot control. As a result, neither the performance of the Company nor of management is measured based on revenue targets.

## **Independent auditor's report to the members of Airbus Operations Limited (continued)**

### **Fraud and breaches of laws and regulations – ability to detect (continued)**

#### *Identifying and responding to risks of material misstatement due to fraud (continued)*

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unrelated accounts, those posted to seldom used accounts and those posted by senior finance management.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions regulation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, data protection laws and environmental law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

#### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Independent auditor's report to the members of Airbus Operations Limited (continued)**

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 40 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent auditor's report to the members of Airbus Operations Limited (*continued*)**

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Joseph Long (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
66 Queen Square  
Bristol  
BS1 4BE  
22 May 2024

**Profit and Loss Account**  
*for year ended 31 December 2023*

|   | <i>Note</i> | <b>2023</b>    |                | 2022    |         |
|---|-------------|----------------|----------------|---------|---------|
|   |             | <b>£m</b>      | <b>£m</b>      | £m      | £m      |
| <b>Turnover</b>   |             |                |                |         |         |
| Continuing operations   | 2           |                | <b>4,340</b>   |         | 4,116   |
| Change in stocks of finished goods and work in progress                         |             | <b>83</b>      |                | 91      |         |
| Other operating income  | 4           | <b>54</b>      |                | -       |         |
| Raw materials and consumables   |             | <b>(3,004)</b> |                | (2,828) |         |
| Other external expenses   |             | -              |                | (26)    |         |
| Staff costs   | 5           | <b>(505)</b>   |                | (538)   |         |
| Depreciation and other amounts written off tangible and intangible fixed assets |             | <b>(110)</b>   |                | (113)   |         |
| Reversal of impairment of tangible and intangible fixed assets                  |             | <b>5</b>       |                | 49      |         |
| Other operating expenses  |             | <b>(302)</b>   |                | (135)   |         |
|   |             |                | <b>(3,779)</b> |         | (3,500) |
| <b>Operating profit</b>   | 3           |                | <b>561</b>     |         | 616     |
| Income from shares in group undertakings  | 12          |                | <b>16</b>      |         | 10      |
| Other interest receivable and similar income                                    | 7           |                | <b>6</b>       |         | 3       |
| Interest payable and similar expenses   | 8           |                | <b>(43)</b>    |         | (62)    |
| <b>Profit before taxation</b>   |             |                | <b>540</b>     |         | 567     |
| Tax on profit   | 9           |                | <b>(103)</b>   |         | (128)   |
| <b>Profit for the financial year</b>  |             |                | <b>437</b>     |         | 439     |

The notes on pages 50 to 73 form an integral part of the financial statements.



**Other Comprehensive Income**  
*for year ended 31 December 2023*

|  | Note | 2023<br>£m               | 2022<br>£m        |
|--|------|--------------------------|-------------------|
| <b>Profit for the year</b>   |      | <b>437</b>               | 439               |
| <b>Other comprehensive income</b>  |      | <hr/>                    | <hr/>             |
| Remeasurement of the net defined benefit asset / liability               | 19   | (344)                    | 797               |
| Income tax on other comprehensive income                                 |      | <b>86</b>                | (199)             |
| <b>Other comprehensive (loss)/income for the year, net of income tax</b> |      | <hr/> <b>(258)</b> <hr/> | <hr/> 598 <hr/>   |
| <b>Total comprehensive income for the year</b>                           |      | <hr/> <b>179</b> <hr/>   | <hr/> 1,037 <hr/> |

The notes on pages 50 to 73 form an integral part of the financial statements.

**Balance Sheet**  
*at 31 December 2023*

|  | <i>Note</i> | <b>2023</b>    |              | 2022        |       |
|--|-------------|----------------|--------------|-------------|-------|
|  |             | <b>£m</b>      | <b>£m</b>    | £m          | £m    |
| <b>Fixed assets</b>  |             |                |              |             |       |
| Intangible assets  | <i>10</i>   |                | <b>150</b>   |             | 131   |
| Tangible assets  | <i>11</i>   |                | <b>926</b>   |             | 911   |
| Investments  | <i>12</i>   |                | <b>264</b>   |             | 264   |
|  |             |                | <hr/>        |             | <hr/> |
|  |             |                | <b>1,340</b> |             | 1,306 |
| <b>Current assets</b>  |             |                |              |             |       |
| Employee benefits  | <i>19</i>   | <b>73</b>      |              | 342         |       |
| Stocks   | <i>13</i>   | <b>831</b>     |              | 601         |       |
| Debtors (including £145m (2022: £205m) due after more than one year) | <i>14</i>   | <b>1,432</b>   |              | 1,542       |       |
|  |             |                | <hr/>        | <hr/>       |       |
|  |             | <b>2,336</b>   |              | 2,485       |       |
| <b>Creditors:</b> amounts falling due within one year                | <i>15</i>   | <b>(1,583)</b> |              | (1,892)     |       |
|  |             |                | <hr/>        | <hr/>       |       |
| <b>Net current assets</b>  |             |                | <b>753</b>   |             | 593   |
|  |             |                | <hr/>        | <hr/>       |       |
| <b>Total assets less current liabilities</b>                         |             |                | <b>2,093</b> |             | 1,899 |
| <b>Provisions</b>  | <i>18</i>   |                | <b>(75)</b>  |             | (60)  |
|  |             |                | <hr/>        | <hr/>       |       |
| <b>Net assets</b>  |             |                | <b>2,018</b> |             | 1,839 |
|  |             |                | <hr/> <hr/>  | <hr/> <hr/> |       |
| <b>Capital and reserves</b>  |             |                |              |             |       |
| Called up share capital  | <i>20</i>   |                | <b>1,467</b> |             | 1,467 |
| Share premium account  |             |                | <b>534</b>   |             | 534   |
| Capital contribution reserve   |             |                | <b>572</b>   |             | 572   |
| Profit and loss account  |             |                | <b>(555)</b> |             | (734) |
|  |             |                | <hr/>        | <hr/>       |       |
| <b>Shareholders' funds</b>   |             |                | <b>2,018</b> |             | 1,839 |
|  |             |                | <hr/> <hr/>  | <hr/> <hr/> |       |

These financial statements were approved by the board of directors on 10 May 2024 and were signed on its behalf by:



S Partridge  
*Director*

Company registered number: 3468788

The notes on pages 50 to 73 form an integral part of the financial statements.

## Statement of Changes in Equity

|  | Called up<br>Share<br>capital<br>£m | Share<br>Premium<br>account<br>£m | Capital<br>contribution<br>reserve<br>£m | Profit and<br>loss account<br>£m | Total<br>equity<br>£m |
|--|-------------------------------------|-----------------------------------|--|----------------------------------|-----------------------|
| Balance at 1 January 2022                        | 1,467                               | 534                               | 572                                      | (1,771)                          | 802                   |
| <b>Total comprehensive income for the period</b> |                                     |                                   |  |                                  |                       |
| Profit for the year                              | -                                   | -                                 | -  | 439                              | 439                   |
| Other comprehensive income                       | -                                   | -                                 | -  | 598                              | 598                   |
| <b>Balance at 31 December 2022</b>               | <b>1,467</b>                        | <b>534</b>                        | <b>572</b>                               | <b>(734)</b>                     | <b>1,839</b>          |

|  | Called up<br>Share<br>capital<br>£m | Share<br>Premium<br>account<br>£m | Capital<br>contribution<br>reserve<br>£m | Profit and<br>loss account<br>£m | Total<br>equity<br>£m |
|--|-------------------------------------|-----------------------------------|--|----------------------------------|-----------------------|
| Balance at 1 January 2023                        | 1,467                               | 534                               | 572                                      | (734)                            | 1,839                 |
| <b>Total comprehensive income for the period</b> |                                     |                                   |  |                                  |                       |
| Profit for the year                              | -                                   | -                                 | -  | 437                              | 437                   |
| Other comprehensive expense                      | -                                   | -                                 | -  | (258)                            | (258)                 |
| <b>Balance at 31 December 2023</b>               | <b>1,467</b>                        | <b>534</b>                        | <b>572</b>                               | <b>(555)</b>                     | <b>2,018</b>          |

The notes on pages 50 to 73 form an integral part of the financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Airbus Operations Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 3468788 and the registered address is Pegasus House, Aerospace Avenue, Filton, Bristol, UK, BS34 7PA.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1million.

The Company’s ultimate parent undertaking, Airbus SE, includes the Company in its consolidated financial statements. The consolidated financial statements of Airbus SE are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Mendelweg 30, 2333 CS Leiden, The Netherlands. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Airbus SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

#### **1.2 Going concern**

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As described further in 1.13 below, the Company is part of an inter-company process for the ultimate design and manufacture of commercial and military aircraft. As a result the ability of the Company to continue as a going concern is based on the ability of the Airbus group (the ‘group’) to continue as a going concern. The Company has a long-established expertise in relation to wings and associated equipment. This expertise and manufacturing capability is not available elsewhere in the group or externally to the group and could not realistically be replaced in the short to medium term.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern (continued)

The group has prepared forecasts considering a severe but plausible downside scenario for gross risks identified in the group, which the Directors have reviewed, covering the period of at least 12 months, which indicate that the group will be able to continue to operate within the facilities in place.

Airbus group has significant liquidity available to cope with additional cash requirements. As of 31 December 2023, the group had a net cash position (being the sum of cash and cash equivalents and securities, minus financing liabilities and plus or minus interest rate contracts related to fair value hedges) of € 10.7 billion (2022: € 9.4 billion). In 2023 the group was able to generate free cash flow before mergers and acquisitions and customer financing of €4.4 billion (2022: €4.7 billion).

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Non-derivative financial instruments

In accounting for its financial instruments, the Company applies the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and the presentation and disclosure requirements of FRS 102 Sections 11 and 12.

Non-derivative financial instruments comprise trade and other receivables, loans and borrowings, and trade and other payables.

##### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

##### *Investments in subsidiaries and associates*

Investments in subsidiaries and associates are carried at cost less impairment.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Non-derivative financial instruments (continued)

##### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### 1.5 Derivative financial instruments and hedging

##### Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

#### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account for each period or production unit as relevant. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

|  |   |  |
|--|---|--|
| Buildings – short leasehold  | - | 33 years, or the remaining lease term if shorter |
| Computing equipment, motor vehicles and short life works equipment | - | 3 to 5 years                                     |
| Other equipment  | - | 10 to 15 years, or the project life if shorter   |
| A400M jigs and tools   | - | over 174 production wing sets                    |
| A350 jigs and tools  | - | over 1,200 production wing sets                  |
| Single Aisle Neo jigs and tools                                    | - | over 2,400 production wing sets                  |
| A330neo jigs and tools   | - | over 600 production wing sets                    |

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Intangible assets

##### Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Capitalised development costs are amortised over the estimated number of units expected to be produced. The estimated useful lives are as follows:

|                                    |                                   |
|------------------------------------|-----------------------------------|
| A350 development costs             | - over 1,200 production wing sets |
| Single Aisle Neo development costs | - over 2,400 production wing sets |
| A330 Neo development costs         | - over 600 production wing sets   |

A400M development costs are not capitalised.

The cost of wing sets that are used on test aircraft in the A350, SA Neo and A330 Neo testing programmes that will be retained by Airbus for the life of the aircraft are included in intangible assets and amortised over 10 years. The cost of wing sets used on test aircraft that may be sold by Airbus are amortised over the flight test period to a residual value equal to the estimated sales proceeds.

The Company reviews the amortisation period when events and circumstances indicate that the useful life may have changed since the last reporting date.

#### 1.8 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Impairment excluding stocks and deferred tax assets

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating units ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.11 Employee benefits

Employees of the Company are members of several pension schemes (defined contribution and defined benefit) operated by BAE Systems plc and Airbus Defence & Space Limited.

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Employee benefits (continued)

##### Defined benefit plans (continued)

The discount rate is the yield at the balance sheet date on AA credit rated corporate bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

##### Group Plans

Certain of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Airbus Defence and Space Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period.

##### Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

#### 1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### 1.13 Turnover

In Europe, Airbus's aircraft development and production are spread over four entities, Airbus Operations GmbH (Germany), Airbus Operations SAS (France), Airbus Operations Ltd (UK) and Airbus Operations SL (Spain). They are coordinated by Airbus S.A.S.

In 2004, a specific agreement ("Advanced Pricing Agreement" or "APA") was signed by the tax administrations of the four countries. This agreement includes the 'Common activities' executed by Airbus SAS and the four national entities, which includes the development, production and assembly of commercial passenger aircraft and freighters as well as support services for the in-service Airbus fleet. 'Common activities' costs are invoiced by the Company each month to Airbus SAS and recognised as turnover in that month. At the end of the year, the Company receives a share of the total 'Common activities' result from Airbus SAS, which is also recognised in turnover. The result is allocated to the companies concerned in accordance with their contributions to the industrial cost base using the "Industrial Key".

Transactions with third parties, primarily with public sector customers for military aviation products and the financial earnings, remain in the national entities as part of the "Specific Business". Both results are subject jointly to the national tax regulations.

The Airbus civil APA, which is in place since January 2004 and has been systematically renewed, has expired as at 31 December 2019. In accordance with the agreement, a renewal request for the period 2020 to 2024 has been filed with the four tax administrations in June 2019. There is currently no element identified which could prevent the renewal of this agreement for 2020, 2021, 2022 and 2023.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.13 Turnover** *(continued)*

A specific transfer pricing agreement has been signed in 2013 by the four tax administrations for the development, production and sale of the military aircraft A400M to the company Airbus Military SL. The entities concerned are the same as for the commercial APA, except Airbus Operations SL, plus Airbus Defense and Space SAU and Airbus Defense and Space GmbH. Invoices are raised by the Company to Airbus SAS upon aircraft delivery to the end customer. The result is consolidated and shared by a Spanish entity, UTE (Union Temporal de Empresas), with reference to the A400M Industrial Key. Invoices are settled, incorporating the shared result, annually. This APA does not cover support and services activities related to A400M, which are accounted for on an accruals basis. The agreement is being renewed for the period 2020-2024. There is currently no element identified which could prevent the renewal of this agreement.

Turnover for activities outside the intercompany process are derived from the net value of deliveries made, work completed or services rendered during the period.

#### **1.14 Expenses**

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested, net foreign exchange gains and adjustments to recalculate amortised cost to reflect changes in expected cash flows.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### **1.15 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

**Notes** *(continued)*

**1 Accounting policies** *(continued)*

**1.15 Taxation** *(continued)*

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**2 Turnover**

All turnover originated in the UK and relates to the Company's principal activities, namely the design and manufacture of wings and associated equipment for a range of commercial and military aircraft.

**3 Expenses and auditor's remuneration**

*Included in profit/loss are the following:*

|   | <b>2023</b> | 2022 |
|---|-------------|------|
|   | <b>£m</b>   | £m   |
| Government grants (see note 4)                  | (27)        | (20) |
| Royalties payable to UK Government              | 17          | 15   |
| Research and development expensed as incurred   | 222         | 244  |
| Research and development expenditure tax credit | (27)        | (15) |
|   | =           | =    |

The above Government Grants represent UK Government and EC Research funding and Regional grants for training.

*Auditor's remuneration:*

|  | <b>2023</b>  | 2022  |
|--|--------------|-------|
|  | <b>£000s</b> | £000s |
| Audit of these financial statements  | 631          | 613   |
| Amounts receivable by the Company's auditor and its associates in respect of:<br>Audit -related assurance services | 101          | 89    |
|  | 732          | 702   |

**Notes** *(continued)*

**4 Other operating income**

|                   | <b>2023</b> | 2022        |
|-------------------|-------------|-------------|
|                   | <b>£m</b>   | £m          |
| Rental income     | <b>13</b>   | -           |
| Government grants | <b>27</b>   | -           |
| Other             | <b>14</b>   | -           |
|                   | <hr/>       | <hr/>       |
|                   | <b>54</b>   | -           |
|                   | <hr/> <hr/> | <hr/> <hr/> |

Other operating income in prior years was netted off against other operating expenses. Had this income been separately identified in 2022, the equivalent figures would have been: rental income (£17m), Government grants relating to R&D (£20m) and other (£13m).

**5 Staff numbers and costs**

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

|                            | <b>Number of staff</b> |             |
|----------------------------|------------------------|-------------|
|                            | <b>2023</b>            | 2022        |
| Manufacturing              | <b>4,030</b>           | 3,850       |
| Engineering                | <b>1,642</b>           | 1,541       |
| Administration and support | <b>1,791</b>           | 1,706       |
|                            | <hr/>                  | <hr/>       |
|                            | <b>7,463</b>           | 7,097       |
|                            | <hr/> <hr/>            | <hr/> <hr/> |

The aggregate payroll costs of these persons were as follows:

|   | <b>2023</b> | 2022        |
|---|-------------|-------------|
|   | <b>£m</b>   | £m          |
| Wages and salaries                                      | <b>408</b>  | 369         |
| Social security costs                                   | <b>46</b>   | 44          |
| Contributions to defined contribution plans             | <b>34</b>   | 53          |
| Expenses related to defined benefit plans (see note 18) | <b>17</b>   | 72          |
|   | <hr/>       | <hr/>       |
| Total   | <b>505</b>  | 538         |
|   | <hr/> <hr/> | <hr/> <hr/> |

## Notes (continued)

### 6 Directors' remuneration

|  | 2023       | 2022       |
|--|------------|------------|
|  | £000       | £000       |
| Directors' remuneration                              | 172        | 174        |
| Amounts receivable under long term incentive schemes | 16         | 14         |
| Company contributions to pension plans               | 32         | 86         |
| Compensation for loss of office                      | 20         | 266        |
|  | <u>240</u> | <u>540</u> |

The above amounts represent the amounts attributable to services provided to the Company by the directors in respect of their activities for the Company paid by the Company or fellow group Company.

The above disclosure represents the remuneration for two directors (2022: *three directors*) in respect of their activities for the Company. The remuneration of the other directors in relation to their activities as board members is incidental compared to their other activities within the group and is not recharged to the Company.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in relation to their activities for the Company was £170,143 (2022: £309,482 (including compensation for loss of office)), and company pension contributions were made on their behalf of £20,155 (2022: £68,225).

Two directors are accruing benefits under a defined benefit scheme as part of remuneration for services provided to the Company.

### 7 Other interest receivable and similar income

|   | 2023     | 2022     |
|---|----------|----------|
|   | £m       | £m       |
| Net foreign exchange gain   | 6        | -        |
| Net gain on financial liabilities measured at fair value through profit or loss (excluding derivatives used in hedging relationships) | -        | 3        |
|   | <u>6</u> | <u>3</u> |
| Total interest receivable and similar income  | <u>6</u> | <u>3</u> |

### 8 Interest payable and similar expenses

|   | 2023      | 2022      |
|---|-----------|-----------|
|   | £m        | £m        |
| On funding accounts with Airbus SE                | 41        | 17        |
| Net foreign exchange loss                         | -         | 44        |
| Other interest                                    | 2         | 1         |
|   | <u>43</u> | <u>62</u> |
| Total other interest payable and similar expenses | <u>43</u> | <u>62</u> |

## Notes (continued)

### 9 Taxation

#### Total tax expense recognised in the profit and loss account, other comprehensive income and equity

|  | 2023<br>£m | £m        | 2022<br>£m | £m         |
|--|------------|-----------|------------|------------|
| <i>Current tax</i>                             |            |           |            |            |
| Current tax on income for the period           | 21         |           | 30         |            |
| Adjustments in respect of prior periods        | (8)        |           | (1)        |            |
|  |            | <u>13</u> |            | <u>29</u>  |
| <i>Deferred tax (see note 17)</i>              |            |           |            |            |
| Origination and reversal of timing differences | (1)        |           | 292        |            |
| Adjustments in respect of previous years       | 2          |           | 3          |            |
| Impact of change in tax rate                   | 3          |           | 3          |            |
|  |            | <u>4</u>  |            | <u>298</u> |
| Total deferred tax                             |            | <u>4</u>  |            | <u>298</u> |
| Total tax expense/(credit)                     |            | <u>17</u> |            | <u>327</u> |

|  | £m          | 2023<br>£m   | £m        | £m          | 2022<br>£m   | £m         |
|--|-------------|--------------|-----------|-------------|--------------|------------|
|  | Current tax | Deferred tax | Total tax | Current tax | Deferred tax | Total tax  |
| Recognised in Profit and loss account    | 13          | 90           | 103       | 29          | 99           | 128        |
| Recognised in other comprehensive income | -           | (86)         | (86)      | -           | 199          | 199        |
|  | <u>13</u>   | <u>4</u>     | <u>17</u> | <u>29</u>   | <u>298</u>   | <u>327</u> |

#### Reconciliation of effective tax rate

|   | 2023<br>£m | 2022<br>£m |
|---|------------|------------|
| Profit for the year                                       | 437        | 439        |
| Total tax expense   | 103        | 128        |
|   | <u>540</u> | <u>567</u> |
| Profit excluding taxation                                 | 540        | 567        |
| Tax using the UK corporation tax rate of 23.5% (2022 19%) | 127        | 108        |
| Impact of change in tax rate on deferred tax balances     | 3          | 10         |
| Non-deductible expenses                                   | 1          | 3          |
| Intercompany loss surrenders                              | (22)       | -          |
| Adjustments in respect of previous years                  | (6)        | 7          |
|   | <u>103</u> | <u>128</u> |
| Total tax expense included in profit or loss              | <u>103</u> | <u>128</u> |

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax asset at 31 December 2022 was recognised partially at 19% and partially at 25%, dependent on its forecast utilisation.

## Notes (continued)

### 9 Taxation (continued)

Pillar Two Legislation was enacted in the UK on 11 July 2023 which introduced an Income Inclusion Rule (IIR), known locally as the “multinational top-up tax”, and domestic minimum top-up tax (DTT), as part of Finance (No 2) Act 2023. Both the UK IIR and the UK DTT apply for accounting periods beginning on or after 31 December 2023.

On 18 July the UK government published proposals for a number of amendments to the UK’s Pillar Two rules for inclusion in Finance Bill 2024. HMRC has confirmed that the commencement date will not be earlier than accounting periods beginning on or after 31 December 2024.

On 19 December 2023, the government of the Netherlands, where Airbus SE is incorporated, enacted the Pillar Two income taxes legislation effective from 1 January 2024.

The Company must follow the Income Inclusion Rule (IIR), known locally as the “multinational top-up tax” as the Company is part of Airbus SE, with revenues above €750m. Neither Airbus SE nor the Company expect a material exposure to Pillar Two.

An amendment to IAS12 “Income Taxes - International Tax Reform - Pillar Two Model Rules” has introduced a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. As a consequence, no deferred tax assets or liabilities are recognised in the Company’s financial statements related to Pillar Two income taxes.

### 10 Intangible assets

|   | <b>Development costs</b><br><b>£m</b> |
|---|---------------------------------------|
| <b>Cost</b>                               |                                       |
| Balance at 1 January 2023                 | 815                                   |
| Other acquisitions – internally developed | 34                                    |
| Disposals                                 | (20)                                  |
|   | 829                                   |
| Balance at 31 December 2023               | 829                                   |
| <b>Amortisation and impairment</b>        |                                       |
| Balance at 1 January 2023                 | 684                                   |
| Amortisation for the year                 | 15                                    |
| Disposals                                 | (20)                                  |
|   | 679                                   |
| Balance at 31 December 2023               | 679                                   |
| <b>Net book value</b>                     |                                       |
| At 1 January 2023                         | 131                                   |
|   | 131                                   |
| <b>At 31 December 2023</b>                | <b>150</b>                            |

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company’s distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Development costs relate to A350, Single Aisle (“SA”) Neo, SA XLR and A330 Neo research and development expenditure, including wingsets that are used as test aircraft. No costs have been capitalised on A400M since they do not meet the criteria for capitalisation. ‘Transfer to WIP’ occurs when flight test aircraft are expected to be sold.

## Notes (continued)

### 10 Intangible assets (continued)

Amortisation of A350 research and development expenditure commenced in 2014 and it is straight line over 1,200 aircraft which reach Station 50 (the date when the forward, centre and aft fuselage sections are joined). As at the end of 2023, 616 A350 wing sets had reached Station 50.

Amortisation of SA Neo research and development expenditure commenced in 2015 and it is straight line over 2,400 aircraft which reach Station 40 (the date when the aircraft starts the integration of the fuselage with the wing). During 2022, the 2,400th SA Neo wing sets reached Station 40 and therefore the SA Neo development costs have been fully amortised.

Amortisation of A330 Neo research and development expenditure commenced in 2016 and it is straight line over 600 aircraft which reach Station 40 (the date when the aircraft starts the integration of the fuselage with the wing). As at the end of 2023, 141 A330 Neo wing sets had reached Station 40.

Amortisation of wingsets that are used on test aircraft commenced on the date of the aircraft's first flight.

### 11 Tangible fixed assets

|                                    | Land and<br>buildings<br>£m | Plant and<br>Equipment<br>£m | Jigs &<br>tools<br>£m | Under<br>construction<br>£m | Total<br>£m |
|------------------------------------|-----------------------------|------------------------------|-----------------------|-----------------------------|-------------|
| <b>Cost</b>                        |                             |                              |                       |                             |             |
| Balance at 1 January 2023          | 565                         | 681                          | 1,169                 | 113                         | 2,528       |
| Additions                          | -                           | 2                            | -                     | 106                         | 108         |
| Transfers                          | 9                           | 27                           | 2                     | (38)                        | -           |
| Disposals                          | (18)                        | (52)                         | -                     | -                           | (70)        |
|                                    | <hr/>                       | <hr/>                        | <hr/>                 | <hr/>                       | <hr/>       |
| Balance at 31 December 2023        | 556                         | 658                          | 1,171                 | 181                         | 2,566       |
|                                    | <hr/> <hr/>                 | <hr/> <hr/>                  | <hr/> <hr/>           | <hr/> <hr/>                 | <hr/> <hr/> |
| <b>Depreciation and impairment</b> |                             |                              |                       |                             |             |
| Balance at 1 January 2023          | 281                         | 615                          | 721                   | -                           | 1,617       |
| Depreciation charge for the year   | 18                          | 27                           | 50                    | -                           | 95          |
| Disposals                          | (16)                        | (51)                         | -                     | -                           | (67)        |
| Reversal of impairment losses      | (5)                         | -                            | -                     | -                           | (5)         |
|                                    | <hr/>                       | <hr/>                        | <hr/>                 | <hr/>                       | <hr/>       |
| Balance at 31 December 2023        | 278                         | 591                          | 771                   | -                           | 1,640       |
|                                    | <hr/> <hr/>                 | <hr/> <hr/>                  | <hr/> <hr/>           | <hr/> <hr/>                 | <hr/> <hr/> |
| <b>Net book value</b>              |                             |                              |                       |                             |             |
| At 1 January 2023                  | 284                         | 66                           | 448                   | 113                         | 911         |
|                                    | <hr/> <hr/>                 | <hr/> <hr/>                  | <hr/> <hr/>           | <hr/> <hr/>                 | <hr/> <hr/> |
| <b>At 31 December 2023</b>         | <b>278</b>                  | <b>67</b>                    | <b>400</b>            | <b>181</b>                  | <b>926</b>  |
|                                    | <hr/> <hr/>                 | <hr/> <hr/>                  | <hr/> <hr/>           | <hr/> <hr/>                 | <hr/> <hr/> |

#### *Reversal of impairment losses*

An impairment reversal of £5m was booked in 2023. The original impairment was booked in 2018 following the decision to cease production of the A380 and the consequent impact on facilities utilisation. During 2023, alternative uses were identified for certain impaired buildings and the impairment reversal was booked as a result.

#### *Tangible fixed assets under construction*

The amount of borrowing costs capitalised during the period was £nil (2022: £nil).

Included in the cost of tangible fixed assets is £2m (2022: £2m) in respect of capitalised finance costs.



## Notes (continued)

### 11 Tangible fixed assets (continued)

#### Land and Buildings

The net book value of land and buildings comprises:

|                 | 2023<br>£m  | 2022<br>£m  |
|-----------------|-------------|-------------|
| Freehold        | 73          | 75          |
| Short leasehold | 205         | 209         |
|                 | <hr/>       | <hr/>       |
|                 | <b>278</b>  | <b>284</b>  |
|                 | <hr/> <hr/> | <hr/> <hr/> |

### 12 Fixed asset investments

#### Investments in subsidiary companies – cost and net book value

Balance at 1 January 2023 and 31 December 2023

**264**

The Company has the following fixed asset investments, with a total carrying value of £263,944,459 (2022: £263,944,459).

|                                | Address of registered office  | Class of Ownership<br>shares held | 2023      | Ownership |
|--------------------------------|---|-----------------------------------|-----------|-----------|
|                                |   |                                   | 2022<br>% | 2022<br>% |
| <i>Subsidiary Undertakings</i> |   |                                   |           |           |
| Airbus Filton Limited          | Pegasus House,<br>Aerospace Avenue,<br>Filton, Bristol,<br>BS34 7AR,<br>England | Ordinary                          | 100       | 100       |
| Airbus Real Estate UK Limited  | Pegasus House,<br>Aerospace Avenue,<br>Filton, Bristol,<br>BS34 7AR,<br>England | Ordinary                          | 100       | 100       |

During the year the Company received dividends totalling £16,093,269 from Airbus Real Estate UK Limited (2022: £10,412,981).

### 13 Stocks

|                               | 2023<br>£m  | 2022<br>£m  |
|-------------------------------|-------------|-------------|
| Raw materials and consumables | 481         | 371         |
| Work in progress              | 37          | 67          |
| Finished goods                | 78          | 75          |
| Payments on account           | 235         | 88          |
|                               | <hr/>       | <hr/>       |
|                               | <b>831</b>  | <b>601</b>  |
|                               | <hr/> <hr/> | <hr/> <hr/> |

Payments on account represents advanced payments for inventory made to a number of suppliers. The balances will be amortised over future deliveries of parts.

**Notes** *(continued)*

**14 Debtors**

|                                      | 2023<br>£m | 2022<br>£m |
|--------------------------------------|------------|------------|
| Trade debtors                        | 24         | 32         |
| Amounts owed by group undertakings   | 1,041      | 1,156      |
| Other debtors including taxation     | 134        | 112        |
| Deferred tax assets (see note 17)    | 221        | 225        |
| Prepayments and accrued income       | 8          | 13         |
| Other financial assets (see note 16) | 4          | 4          |
|                                      | 1,432      | 1,542      |
|                                      | 1,432      | 1,542      |
| Due within one year                  | 1,287      | 1,337      |
| Due after more than one year         | 145        | 205        |
|                                      | 1,432      | 1,542      |
|                                      | 1,432      | 1,542      |

The balance due after more than one year comprises deferred tax assets of £141m (2022: £196m) and prepayments and accrued income of £4m (2022: £9m).

**15 Creditors: amounts falling due within one year**

|   | 2023<br>£m | 2022<br>£m |
|---|------------|------------|
| Trade creditors                           | 698        | 519        |
| Amounts owed to group undertakings        | 730        | 1,205      |
| Other creditors including social security | 56         | 52         |
| Accruals                                  | 48         | 57         |
| Deferred income                           | 51         | 59         |
|   | 1,583      | 1,892      |
|   | 1,583      | 1,892      |

Included in amounts owed to group undertakings is £678m (2022: £1,170m) which relates to Airbus SE. The balance is repayable on demand and attracts interest at the Bank of England base rate + 0.55%.

Deferred income includes advanced payments made by the UK Government in relation to the A400M programme. This is released to the profit and loss account in line with A400M aircraft deliveries to customers.

## Notes (continued)

### 16 Other financial assets and liabilities

This note provides information about the Company's other financial assets and liabilities, which are measured at amortised cost or fair value through profit or loss.

|  | <b>2023</b>                | <b>2022</b>                |
|--|----------------------------|----------------------------|
|  | <b>£m</b>                  | <b>£m</b>                  |
| <b>Amounts falling due within one year</b>                                     |                            |                            |
| Financial assets/(liabilities) designated as fair value through profit or loss | <b>4</b>                   | <b>4</b>                   |
|  | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |

#### *Financial liabilities designated as fair value through profit or loss*

Embedded derivatives – the Company enters into certain transactions in US dollars in order to provide a natural hedge for the group's end sale of aircraft and services in US dollars. Where US dollar is the functional currency of neither contracting party, this gives rise to an embedded derivative.

The basis for assessing fair value of the above derivatives is disclosed in note 21 (b).

### 17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

|  | <b>Assets</b>              |                            | <b>Liabilities</b>         |                            | <b>Net</b>                 |                            |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|  | <b>2023</b>                | 2022                       | <b>2023</b>                | 2022                       | <b>2023</b>                | 2022                       |
|  | <b>£m</b>                  | <b>£m</b>                  | <b>£m</b>                  | <b>£m</b>                  | <b>£m</b>                  | <b>£m</b>                  |
| Accelerated capital allowances         | -                          | (3)                        | <b>44</b>                  | -                          | <b>44</b>                  | (3)                        |
| Employee benefits                      | -                          | -                          | <b>1</b>                   | 61                         | <b>1</b>                   | 61                         |
| Temporary differences on Airbus result | <b>(52)</b>                | (80)                       | -                          | -                          | <b>(52)</b>                | (80)                       |
| Unused tax losses                      | <b>(209)</b>               | (194)                      | -                          | -                          | <b>(209)</b>               | (194)                      |
| Other                                  | <b>(5)</b>                 | (9)                        | -                          | -                          | <b>(5)</b>                 | (9)                        |
|  | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |
| Tax (assets) / liabilities             | <b>(266)</b>               | (286)                      | <b>45</b>                  | -                          | <b>(221)</b>               | (225)                      |
|  | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> | <hr style="width: 100%;"/> |

As at 31 December 2023, £79m of the net deferred tax asset was expected to be utilised within one year.

## Notes (continued)

### 18 Provisions

|                                     | <b>Supplier<br/>claims<br/>£m</b> | <b>Other<br/>provisions<br/>£m</b> | <b>Total<br/>£m</b> |
|-------------------------------------|-----------------------------------|------------------------------------|---------------------|
| Balance at 1 January 2023           | 48                                | 12                                 | 60                  |
| Provisions made during the year     | 106                               | -                                  | 106                 |
| Provisions used during the year     | (71)                              | (6)                                | (77)                |
| Provisions released during the year | (14)                              | -                                  | (14)                |
|                                     | <hr/>                             | <hr/>                              | <hr/>               |
| <b>Balance at 31 December 2023</b>  | <b>69</b>                         | <b>6</b>                           | <b>75</b>           |
|                                     | <hr/> <hr/>                       | <hr/> <hr/>                        | <hr/> <hr/>         |

Supplier claims generally arise when there is a change in specification resulting in additional costs being incurred by the supplier. The provision is based on the Company's best estimate of the likely settlement value and is expected to be utilised within one year.

Other provisions includes a provision booked in relation to A380 Jigs and Tools decommissioning costs. This provision is expected to be utilised within one year.

Accounting estimates and judgements are discussed further in note 26.

### 19 Employee benefits

#### *Group plans*

As explained in note 1.11, the Company's employees are members of a group wide defined benefit pension plan. The net defined benefit liability is recognised fully by Airbus Defence and Space Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period.

The Scheme is a registered pension scheme under the Finance Act 2004. The Trustees' 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 new joiners, who participate in a separate defined contribution plan.

#### *Multi-employer plans (BAE Systems)*

The Company participates in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. Participating Company 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 UK pensions legislation enacted in April 2006.

**Notes** *(continued)*

**19 Employee benefits** *(continued)*

*Multi-employer plans (BAE Systems)*

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. Though 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. The deficit of the Main Scheme was allocated between BAE Systems and the Company based in principle on each member's last employer, which was done in December 2015.

The other schemes qualify as multi-employer defined benefit pension plans but are accounted for as if they were defined contribution schemes. This is on the grounds that there is insufficient information to appropriately and reliably estimate the share of the Company's participation in the schemes, i.e. its share in plan assets, defined benefit obligation ("DBO"), and pension costs.

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 latest funding valuation for the Main Scheme has been conducted in 2023 and the Main Scheme is currently in a surplus situation.

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.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

*Net pension surplus*

|                            | <b>2023</b><br><b>£m</b> |
|----------------------------|--------------------------|
| Defined benefit obligation | <b>(2,761)</b>           |
| Plan assets                | <b>2,834</b>             |
|                            | <b>73</b>                |
| Net pension surplus        | <b>73</b>                |

Having received legal advice, management has concluded that it is appropriate to recognise the pension surplus on that grounds that the Company, as the principal employer, has an unconditional right to a refund of surplus.

## Notes (continued)

### 19 Employee benefits (continued)

#### Movements in present value of defined benefit obligation

|   | <b>2023</b><br><b>£m</b> |
|---|--------------------------|
| At 1 January 2023                       | (2,454)                  |
| Current service cost                    | (33)                     |
| Interest expense                        | (120)                    |
| Remeasurement: actuarial gains/(losses) | (251)                    |
| Contributions by members                | (1)                      |
| Benefits paid                           | 98                       |
|   | (2,761)                  |
| At 31 December 2023                     | (2,761)                  |

#### Movements in fair value of plan assets

|   | <b>2023</b><br><b>£m</b> |
|---|--------------------------|
| At 1 January 2023   | 2,796                    |
| Interest income   | 136                      |
| Remeasurement: return on plan assets less interest income | (93)                     |
| Contributions by employer                                 | 92                       |
| Contributions by members                                  | 1                        |
| Benefits paid   | (98)                     |
|   | 2,834                    |
| At 31 December 2023                                       | 2,834                    |

#### Expense recognised in the profit and loss account

|   | <b>2023</b><br><b>£m</b> | 2022<br><b>£m</b> |
|---|--------------------------|-------------------|
| Current service cost                                    | 33                       | 61                |
| Net interest on net defined benefit asset / liability   | (16)                     | 11                |
|   | 17                       | 72                |
| Total expense recognised in profit or loss (see note 4) | 17                       | 72                |

## Notes (continued)

### 19 Employee benefits (continued)

The fair value of the plan assets was as follows:

|                 | 2023<br>Fair value<br>£m | 2022<br>Fair value<br>£m |
|-----------------|--------------------------|--------------------------|
| Equities        | 393                      | 435                      |
| Government debt | 600                      | 496                      |
| Corporate bonds | 699                      | 663                      |
| Property        | 206                      | 223                      |
| Other           | 936                      | 979                      |
|                 | 2,834                    | 2,796                    |
|                 | 2,834                    | 2,796                    |

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 2023 consists of fixed income and equity instruments, although the Company also invests in property, private markets and other alternatives. 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.

### Risks

The defined benefit obligation 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 defined benefit 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 defined benefit obligation is significantly impacted by the applied discount rate. Low interest rates lead to a relatively high net pension liability. If there is again a decline in returns of corporate bonds, the defined benefit obligation will increase in future periods, which might 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 the pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations.

**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 pension liability.

Principal actuarial assumptions at the year end were as follows:

|                                  | 2023<br>% | 2022<br>% |
|----------------------------------|-----------|-----------|
| Discount rate                    | 4.5       | 5.0       |
| Future salary increases          | 3.2       | 3.4       |
| Rate of pension payment increase | 3.0       | 3.1       |
| Inflation rate (RPI)             | 3.1       | 3.3       |
| Inflation rate (CPI)             | 2.4       | 2.6       |
|                                  | 2.4       | 2.6       |

## Notes (continued)

### 19 Employee benefits (continued)

The valuation assumptions used for the disclosures are broadly in line with those used for the final actuarial valuation results as of 31 March 2023 undertaken by independent qualified actuaries as updated to assess the obligation and plan asset at 31 December each year.

The discount rate is determined with reference to the full yield curve of AA-rated sterling-denominated corporate bonds of varying maturities. This represents a change in approach compared to the prior year when the dataset excluded government backed bonds.

The impact of this change is accounted for prospectively as a change in estimate in accordance with FRS 102 Section 10.15. The revised methodology gives a discount rate that is approximately 0.20% pa lower as at 31 December 2023 and, using this discount rate, results in liabilities which are approximately 3.5% higher (£75m) than under the previous methodology.

In valuing the liabilities of the pension fund at 31 December 2023, mortality assumptions have been made for the Main Scheme based on various mortality tables with varying scalings.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables calculated using scheme specific Club Vita curves and include an allowance for future improvements in longevity. The future improvements in longevity have been updated to reflect the CMI 2022 projection model, with a long-term rate of improvement of 1.25%, a smoothing parameter of 7 and initial addition of 0.25% p.a.. The latest CMI model has a core 25% weighting for 2022 data to factor in mortality experience from COVID-19 and resulting impacts such as delayed diagnoses and treatment due to lockdowns.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Member currently aged 65: 21.5 years (male), 23.5 years (female).
- Member currently aged 45: 22.8 years (male), 24.9 years (female).

Membership data is based on the dataset as at 31 March 2023, updated for mortality and salary increase assumptions, as set out above.

### Defined contribution plans

The Company participates in a number of defined contribution pension plans. The total expense relating to these plans in the current year was £13m (2022: £9m).

A further expense of £21m (2022: £44m) has been recognised in relation to group defined benefit plans, accounted for as defined contribution plans. 2022 included one-off lump sum payments of £24m.

### 20 Capital and reserves

|   | 2023                                       | 2022                                       |
|---|--|--|
|   | £m   | £m   |
| <i>Allotted, called up and fully paid</i> |  |  |
| 1,467,301,548 ordinary shares of £1 each  | <b>1,467</b>                               | 1,467                                      |
|   | <hr style="border-top: 3px double #000;"/> | <hr style="border-top: 3px double #000;"/> |

The holders of ordinary shares are entitled to receive dividends as declared from time to time.



## Notes (continued)

### 21 Financial instruments

#### 21 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

|  | <b>2023</b>              | 2022                     |
|--|--------------------------|--------------------------|
|  | <b>£m</b>                | £m                       |
| Trade debtors  | <b>24</b>                | 32                       |
| Amounts owed by group undertakings                   | <b>1,041</b>             | 1,156                    |
| Other debtors including taxation                     | <b>134</b>               | 112                      |
| Prepayments and accrued income                       | <b>8</b>                 | 13                       |
| Assets measured at fair value through profit or loss | <b>4</b>                 | 4                        |
| Trade creditors                                      | <b>698</b>               | (519)                    |
| Amounts owed to group undertakings                   | <b>(730)</b>             | (1,203)                  |
| Other creditors including social security            | <b>(56)</b>              | (52)                     |
| Accruals and deferred income                         | <b>(99)</b>              | (116)                    |
|  | <u><u>          </u></u> | <u><u>          </u></u> |

#### 21 (b) Financial instruments measured at fair value

##### *Derivative financial instruments*

The fair value of embedded derivatives is determined by the exchange rate prevailing at the date the relevant contract was entered into compared to the rate prevailing at the year end.

### 22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

|                            | <b>2023</b>              | 2022                     |
|----------------------------|--------------------------|--------------------------|
|                            | <b>£m</b>                | £m                       |
| Less than one year         | <b>28</b>                | 27                       |
| Between one and five years | <b>8</b>                 | 33                       |
| More than five years       | <b>3</b>                 | 1                        |
|                            | <u>          </u>        | <u>          </u>        |
|                            | <b>39</b>                | 61                       |
|                            | <u><u>          </u></u> | <u><u>          </u></u> |

During the year £27m was recognised as an expense in the profit and loss account in respect of operating leases (2022: £27m). On 1 January 2024, the assets of Airbus Real Estate UK Limited, previously leased to the Company, were sold to the Company and, as a result, future operating lease rentals will reduce. The rental payable in less than one year is expected to reduce to £2m and the rental payable between one and five years is expected to reduce to £2m.

### 23 Commitments

#### *Capital commitments*

The Company contractual commitments to purchase tangible fixed assets at the year-end were £76m (2022: £76m).

## Notes (continued)

### 24 Related parties

As at 31 December 2022, there are no transactions and outstanding balances with non-wholly owned subsidiaries of Airbus SE or other related parties.

In accordance with FRS 102.33.1A disclosure of transactions with other wholly owned subsidiaries of Airbus SE are not required to be disclosed.

### 25 Ultimate parent Company and parent Company of larger group

The Company is a subsidiary undertaking of Airbus Operations SAS. The ultimate controlling party is Airbus SE.

The largest group in which the results of the Company are consolidated is that headed by Airbus SE, whose registered address is PO Box 32008, 2303 DA Leiden, The Netherlands. The smallest group in which they are consolidated is that headed by Airbus SAS, whose registered address is 2 Rond-point Emile Dewoitine, 31700, Blagnac, France. The consolidated financial statements of Airbus SE are available to the public and may be obtained from PO Box 32008, 2303 DA Leiden, The Netherlands.

### 26 Accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year are:

Employee benefits (Defined Benefit Obligation) — The Company accounts for certain 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. These factors include key actuarial assumptions including the discount rate, expected inflation and mortality rates. The actuarial assumptions, which are disclosed in Note 18 Employee Benefits, are based on management's best estimates of current and future conditions, incorporating advice from specialist advisors. The application of these assumptions results in a valuation of the Defined Benefit Obligation of £2,761m (2022: £2,454m) at 31 December 2023. 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 expense. Further detail on the assumptions adopted at 31 December 2023 are provided in Note 18 Employee Benefits.

Employee benefits (Plan Assets) — Pension assets, totalling £2,834m at 31 December 2023, are held in a diversified range of assets. The breakdown of asset value by category of asset is provided in Note 18 Employee Benefits. Many of these assets have readily-available market values and are therefore able to be valued without significant estimate or judgement. However, there are assets where the year-end balance is based on lagged valuations and is subject to significant levels of estimation uncertainty. These assets include:

- Property assets of £153m (2022: £223m), the valuation of which involves the estimation of key assumptions including occupancy and rental yields. The valuations are made using third party experts in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards.
- Infrastructure and alternative investments of £936m (2022: £979m) which are categorised as Other assets and Private equity investments of £249m (2022: £279m) which are included in Equities. The fair value is based on valuations obtained from third parties which employ a variety of methods the most prevalent being net asset valuation which involves a higher degree of estimation and subjectivity than a market price.

Critical accounting judgements in applying the Company's accounting policies - When determining the net realisable value of A400M stocks, the forecast revenue from A400M production is combined with the forecast revenue from A400M customer services activities as they are linked transactions where the commercial effect cannot be understood without reference to the series of transactions as a whole.

## **Notes** *(continued)*

### **27 Post Balance Sheet Events**

As explained in the Strategic Report on page 35, there has been a non-adjusting subsequent events which warrants disclosure in these statutory accounts. The subsequent event disclosed is:

- Acquisition of trade and assets from Airbus UK Real Estate Limited

### **28 Contingent Liabilities**

Airbus 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"). Contingent liabilities include those matters disclosed in the 'Significant Events in 2023' section on pages 5 and 6. At the balance sheet date, the directors consider that there are no amounts probable of being settled which can be reliably estimated and hence no provision has been made.