

Press Release

WTO confirmed: no prohibited subsidies at Airbus, minor elements of actionable subsidies to be addressed

- “Repayable launch investment” confirmed as legal financing mechanism for aircraft development.
- WTO confirms compliance fully achieved on A320 and A330, remaining tweaks on A380 and A350 only minor.
- 94 percent of all US / Boeing’s original claims now dismissed by WTO
- Any potential US sanctions, now likely to be minor compared to what we expect on the European case against Boeing, would be counter-productive, ill-timed and ultimately harmful to the airlines and passengers
- Report is only “half the story.” Much more interesting part – on Boeing’s more egregious and competition-damaging subsidies – to come later this year.
- Only real solution to 15-year-long dispute remains a negotiated deal

Amsterdam, 15th May 2018 - The WTO Appellate Body has published today the first of two rulings expected this year on subsidies in the large commercial aircraft dispute between the US and the EU. The first ruling is the Appellate Body’s final report on the EU’s compliance with previous World Trade Organisation’s (WTO) findings in the case against Airbus (DS316). The second ruling – dealing with Boeing’s case – is expected later this year.

In its report, the Appellate Body confirms the legality of the loan partnership approach between Airbus and European governments. The WTO Panel agrees further with earlier findings that the European repayable launch investment (RLI) loans for civil aerospace development projects do not constitute a prohibited subsidy and only few modifications are needed to achieve full compliance. The WTO has now dismissed in their entirety 94 percent of Boeing’s original claims.

The WTO confirmed that all aspects of the A320 and A330 programs are now in full compliance, and that only minor action remains on the A380.

On A350, minor elements of the RLI remain to be addressed. Airbus is currently implementing changes to respond to these findings. This means that any potential US sanctions, now likely to be minor compared to what we expect on the case against Boeing’s subsidies, could result to be counter-productive and ill-timed.

While Airbus is preparing to make adjustments to fully implement the WTO recommendations, Boeing continues to make its own subsidy matters worse with abusive Washington State tax breaks, bad for taxpayers and global trade harmony alike.

The Washington state corporate welfare scheme has provided record breaking state-level subsidies to Boeing for the launch of the 787 aircraft (USD 5 billion). A further State incentive package for the 777X valued at an additional USD 8.7 billion in 2013 made this the largest state-level subsidy package in the history of the United States. Boeing reportedly is also

Press Release

actively seeking further illegal tax breaks for the planned construction of the mid-sized B797 aircraft.

The second Appellate Body report later this year is expected to include the following:

- \$5-6 Billion in inconsistent subsidies between 1989 and 2006 – confirmed by the WTO Appellate Body report
- Washington State Tax breaks for 2006-2024 - \$ 3 Billion
- Extension of these tax breaks for the 777X for a further \$ 8.7 billion
- Wichita Kansas tax abatements
- Continued Foreign Sales corporation export subsidies (despite WTO rulings that these are prohibited subsidies)
- Continued NASA funded federal research programmes (confirmed by the AB as illegal subsidies)
- Continued DOD subsidies (again confirmed illegal by the WTO AB)

Altogether, well in excess of USD 20 billion of non-repaid, illegal subsidies causing over 100 Bn in damage to global trade.

Such non-withdrawn subsidies continue to cause massive adverse effects in the form of lost sales for Airbus. The 787 Washington State tax breaks alone have been confirmed by the WTO to have caused Airbus to lose at least USD 16 billion in sales. The total amount of adverse effects, or lost sales to Airbus since the beginning of these disputes is estimated to be over USD 100 billion. Within the WTO's Panel Report, published in 2017, the organization found issue with various Boeing practices, the most damaging of which continue.

Airbus CEO Tom Enders comments: "Today's significant legal success for the European aviation industry confirms our strategy which we have followed over all those years of the dispute. Of course, today's report is really only half the story – the other half coming out later this year will rule strongly on Boeing's subsidies and we'll see then where the balance lies."

Enders continues, "The result is simple: Airbus pays back its loans, Boeing pays back nothing and continues to exploit the generosity of the U.S. taxpayer. Despite Boeing's rhetoric, it is clear that their position today is straightforward healthy: they have half the market and a full order book, they have clearly not been damaged by Airbus repayable loans."

Airbus General Counsel John Harrison added: "Airbus recognizes the importance of the WTO and the Appellate Body's findings and will do what is necessary to correct any errors and this report confirms the efforts we are making. We likewise expect Boeing to take note when it comes to its compliance obligations. Boeing has in the past shown complete disregard by ignoring the recommendations and continuing with their illegal behavior.

And he further explained: "Boeing is now at more than 90 percent failed claims. This is proof of Boeing's cynical PR motives in bringing this case about in the first place. It shatters Boeing's claim it perpetuated for years that their WTO case undermines European industrial-government partnership."

Airbus thanks the European Commission and the governments of France, Germany, the United Kingdom and Spain for their continuous support throughout the dispute process.

Press Release

“Airbus is grateful for the time and effort that has been invested in defending the interests of the aviation industry,” Airbus CEO Tom Enders stated.

Airbus calls for all parties to accept the global nature of trade and to put an end to the long-running, disruptive dispute. An amicable negotiation with no preconditions is the only viable solution, either between the EU and the U.S. or ideally a global agreement.

Commenting more broadly, Mr. Enders concludes: “The current geopolitical climate for trade is worrying, and industry players should not fuel it with unproductive disputes that undermine fair competition world-wide and impact the workers in this industry as well as our customers and operators. The consequences of such disputes extend beyond the aerospace industry and affect economic growth on a global scale.”

Further information is available at:

www.airbus.com/aircraft/protecting-global-aviation-supply-chain.html

* * *

About Airbus

Airbus is a global leader in aeronautics, space and related services. In 2017 it generated revenues of € 59 billion restated for IFRS 15 and employed a workforce of around 129,000. Airbus offers the most comprehensive range of passenger airliners from 100 to more than 600 seats. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide.

Contacts for the media

Maggie Bergsma	maggie.bergsma@airbus.com	+ 34 637 513 486
Matthieu Duvelleroy	matthieu.duvelleroy@airbus.com	+33 6 29 43 15 64
Stefan Schaffrath	stefan.schaffrath@airbus.com	+33 6 16 09 55 92
Clay McConnell	clay.mcconnell@airbus.com	+1 571 278 0612

This and other press releases and high resolution photos are available on: AirbusNewsroom