

Unaudited Condensed Interim IFRS Consolidated Financial Information of Airbus SE for the three-month period ended 31 March 2017

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Unaudited Condensed Interim IFRS Consolidated Income Statements

	Note	1 January - 31 March 2017		1 January - 31 March 2016		Change
		In €million	In %	In €million	In %	In €million
Revenues	6	12,988	100	12,183	100	805
Cost of sales		-11,703	-90	-10,740	-88	-963
Gross margin	6	1,285	10	1,443	12	-158
Selling, administrative and other expenses		-644	-5	-651	-5	7
Research and development expenses		-548	-4	-547	-5	-1
Other income	6	703	5	85	1	618
Share of profit from investments under the equity method and other income from investments		56	0	32	0	24
Profit before finance result and income taxes	6	852	6	362	3	490
Interest income		39	0	75	0	-36
Interest expense		-127	-1	-143	-1	16
Other financial result		-118	-1	261	2	-379
Finance result	7	-206	-2	193	1	-399
Income taxes	8	-37	0	-157	-1	120
Profit for the period		609	4	398	3	211
Attributable to:						
Equity owners of the parent (Net income)		608	5	399	3	209
Non-controlling interests		1	0	-1	0	2
Earnings per share						
	9	€		€		€
Basic		0.79		0.51		0.28
Diluted		0.78		0.51		0.27

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statements of Comprehensive Income

(In € million)	1 January - 31 March 2017	1 January - 31 March 2016
Profit for the period	609	398
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit pension plans	65	-710
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method	6	-3
Income tax relating to items that will not be reclassified	-39	219
Items that may be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-37	-247
Change in fair value of cash flow hedges	1,818	3,543
Change in fair value of available-for-sale financial assets	53	98
Share of changes in other comprehensive income from investments accounted for under the equity method	-9	-20
Income tax relating to items that may be reclassified	-513	-1,075
Other comprehensive income, net of tax	1,344	1,805
Total comprehensive income of the period	1,953	2,203
Attributable to:		
Equity owners of the parent	1,943	2,207
Non-controlling interests	10	-4

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statements of Financial Position

	Note	31 March 2017		31 December 2016		Change	
		In €million	In %	In €million	In %	In €million	In %
Assets							
Non-current assets							
Intangible assets	10	12,047	11	12,068	11	-21	0
Property, plant and equipment	10	16,789	15	16,918	15	-129	-1
Investments accounted for under the equity method	11	1,468	1	1,608	2	-140	-9
Other investments and other long-term financial assets	12	4,088	4	3,655	3	433	12
Non-current other financial assets	14	936	1	976	1	-40	-4
Non-current other assets	15	2,346	2	2,358	2	-12	-1
Deferred tax assets		7,150	6	7,557	7	-407	-5
Non-current securities	18	9,804	9	9,897	9	-93	-1
		54,628	49	55,037	50	-409	-1
Current assets							
Inventories	13	33,484	29	29,688	27	3,796	13
Trade receivables		9,074	8	8,101	7	973	12
Current portion of other long-term financial assets	12	397	0	522	1	-125	-24
Current other financial assets	14	1,166	1	1,257	1	-91	-7
Current other assets	15	3,141	3	2,576	2	565	22
Current tax assets		1,216	1	1,110	1	106	10
Current securities	18	1,334	1	1,551	1	-217	-14
Cash and cash equivalents	18	9,186	8	10,143	9	-957	-9
		58,998	51	54,948	49	4,050	7
Assets and disposal group of assets classified as held for sale	3	136	0	1,148	1	-1,012	-88
Total assets		113,762	100	111,133	100	2,629	2
Total equity⁽¹⁾							
Equity attributable to equity owners of the parent							
Capital stock		773	1	773	0	0	0
Reserves		8,395	7	7,732	7	663	9
Accumulated other comprehensive income		-3,542	-3	-4,845	-4	1,303	-27
Treasury shares		-3	0	-3	0	0	0
		5,623	5	3,657	3	1,966	54
Non-controlling interests		-18	0	-5	0	-13	260
	16	5,605	5	3,652	3	1,953	53
Liabilities							
Non-current liabilities							
Non-current provisions	17	10,651	9	10,826	10	-175	-2
Long-term financing liabilities	18	8,735	8	8,791	8	-56	-1
Non-current other financial liabilities	14	11,912	10	13,313	12	-1,401	-11
Non-current other liabilities	15	16,879	15	16,567	15	312	2
Deferred tax liabilities		1,604	1	1,292	1	312	24
		49,781	43	50,789	46	-1,008	-2
Current liabilities							
Current provisions	17	5,848	5	6,143	5	-295	-5
Short-term financing liabilities	18	1,839	2	1,687	2	152	9
Trade liabilities		13,510	12	12,532	11	978	8
Current tax liabilities		916	1	1,126	1	-210	-19
Current other financial liabilities	14	5,211	5	5,761	5	-550	-10
Current other liabilities	15	31,035	27	28,452	26	2,583	9
		58,359	52	55,701	50	2,658	5
Disposal group of liabilities classified as held for sale	3	17	0	991	1	-974	-98
Total liabilities		108,157	95	107,481	97	676	1
Total equity and liabilities		113,762	100	111,133	100	2,629	2

(1) As of 31 March 2017, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to €-16 million.

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statements of Cash Flows

(In €million)	Note	1 January - 31 March 2017	1 January - 31 March 2016
Profit for the period attributable to equity owners of the parent (Net income)		608	399
Profit (loss) for the period attributable to non-controlling interests		1	-1
<i>Adjustments to reconcile profit for the period to cash provided by operating activities</i>			
Depreciation and amortization		551	512
Valuation adjustments		76	-406
Deferred tax expense		168	76
Change in income tax assets, income tax liabilities and provisions for income tax		-306	32
Results on disposals of non-current assets		-696	-13
Results of companies accounted for under the equity method		-39	-20
Change in current and non-current provisions		-276	-88
Reimbursement from/ contribution to plan assets		-106	-57
Change in other operating assets and liabilities ⁽¹⁾		-1,337	-2,721
Cash (used for) operating activities⁽¹⁾	18	-1,356	-2,287
<i>Investment activities</i>			
- Purchases of intangible assets, PPE		-482	-563
- Proceeds from disposals of intangible assets, PPE		2	8
- Acquisitions of subsidiaries and joint ventures (net of cash)		0	-118
- Proceeds from disposals of subsidiaries (net of cash)		738	-9
- Payments for investments in associates and other investments and long-term financial assets		-450	-115
- Proceeds from disposals of associates and other investments and long-term financial assets		168	24
Disposal of assets, liabilities and disposal group classified as held for sale		0	-6
Change in securities		285	384
Cash provided by (used for) investing activities	18	261	-395
<i>Financing activities</i>			
Change in long-term and short-term financing liabilities		159	2,479
Changes in capital and non-controlling interests		0	2
Share buyback		0	-378
Cash provided by financing activities	18	159	2,103
Effect of foreign exchange rate changes on cash and cash equivalents		-38	-110
Net (decrease) of cash and cash equivalents⁽¹⁾		-974	-689
Cash and cash equivalents at beginning of period⁽¹⁾		10,160	6,677
Cash and cash equivalents at end of period⁽¹⁾		9,186	5,988
Thereof presented as cash and cash equivalents ⁽¹⁾		9,186	5,905
Thereof presented as part of disposal groups classified as held for sale		0	83

(1) Investments made by Airbus SE in certain securities and trade liabilities have been reassessed and reclassified. Previous year figures are adjusted accordingly (cash and cash equivalents at 31 December 2015: €-899 million; change in other operating assets and liabilities for the first quarter 2016: €93 million).

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Unaudited Condensed Interim IFRS Consolidated Statements of Changes in Equity

(In €million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
Balance at 1 January 2016	5,966	7	5,973
Profit for the period	399	-1	398
Other comprehensive income	1,808	-3	1,805
Total comprehensive income	2,207	-4	2,203
Capital increase	2	0	2
Equity transactions	38	-19	19
Change in treasury shares	-358	0	-358
Share-based payment (IFRS 2)	24	0	24
Balance at 31 March 2016	7,879	-16	7,863
Balance at 1 January 2017	3,657	-5	3,652
Profit for the period	608	1	609
Other comprehensive income	1,335	9	1,344
Total comprehensive income	1,943	10	1,953
Capital increase	0	0	0
Equity transactions	0	-23	-23
Change in treasury shares	0	0	0
Share-based payment (IFRS 2)	23	0	23
Balance at 31 March 2017	5,623	-18	5,605

The accompanying notes are an integral part of these Unaudited Condensed Interim IFRS Consolidated Financial Statements.

Notes to the Unaudited Condensed Interim IFRS Consolidated Financial Statements as at 31 March 2017

1. The Company

The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** (the “Company”) and its subsidiaries, a European public limited-liability company (*Societas Europaea*) with its registered office (*statutaire zetel*) in Amsterdam, The Netherlands, its official address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (*Handelsregister*) under number 24288945, and are prepared and reported in euro (“€”). On 1 January 2017, the Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries will be referred to as “Airbus” and no longer the “Group”, and the segment formerly known as Airbus will be referred to as “Airbus Commercial Aircraft”. In this new set-up, Airbus will retain Airbus Helicopters and Airbus Defence and Space as Divisions. During 2017, while the transition to the new organisation is completed, Airbus will continue to report under the existing reportable segments. Airbus’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the year ended 31 March 2017 were authorised for issue by the Company Board of Directors on 26 April 2017.

2. Accounting policies

The Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) as at 31 March 2017.

These Unaudited Condensed Interim Consolidated Financial Statements are prepared in compliance with IAS 34 and should be read in conjunction with Airbus’ Consolidated Financial Statements as of 31 December 2016. Airbus’ accounting policies and methods are unchanged compared to 31 December 2016.

Use of estimates and judgment

In preparing Airbus’ Unaudited Condensed Interim Consolidated Financial Statements, Airbus’ management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in Airbus’ Consolidated Financial Statements as of 31 December 2016. These estimates are revised if the underlying circumstances have evolved or in light of new information.

The only exception is the estimate of income tax liabilities which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

3. Acquisitions and disposals

On 28 February 2017, Airbus sold its **defence electronics business**, a leading global provider of mission-critical sensors, integrated systems and services for premium defence and security applications mainly based in Ulm, to affiliates of KKR & Co. L.P. (the acquirer), a leading global investment firm. This divestment is part of the strategic review of the Airbus Defence and Space business portfolio. Airbus has recognised a net gain of €560 million in Airbus Defence and Space Division. The assets and liabilities of this company were classified as disposal group held for sale as of 31 December 2016.

The purchase price allocation of the **Navtech Inc. Group (“Navtech”)** ended on 9 March 2017. No adjustment was made on the goodwill which amounts to €104 million.

The allocation of the purchase price on **Airbus Safran Launchers (“ASL”)** is still ongoing at ASL level and is expected to be finalised during the one year window period ending on 30 June 2017.

Assets and disposal groups classified as held for sale

As of 31 March 2017, Airbus accounted for **assets and disposal groups of assets classified as held for sale** in the amount of €136 million (prior year-end: €1,148 million). **Disposal group of liabilities classified as held for sale** as of 31 March 2017 amount to €17 million (prior year-end: €991 million).

4. Related party transactions

Airbus has entered into various transactions with related entities that have all been carried out in the normal course of business.

Airbus participates in the UK in several funded trustee-administered pension plans. In some of these, BAE Systems is the principal employer.

5. Segment information

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

- *Airbus Commercial Aircraft (formerly Airbus)* — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- *Airbus Helicopters* — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- *Airbus Defence and Space* — Military combat aircraft and training aircraft; provision of defence electronics and of global security market solutions such as integrated systems for global border security and secure communication solutions and logistics; training, testing, engineering and other related services; development, manufacturing, marketing and sale of missile systems; development, manufacturing, marketing and sale of satellites, orbital infrastructures and launchers; provision of space related services; development, manufacturing, marketing and sale of military transport aircraft and special mission aircraft and related services.

The following table presents information with respect to the Airbus' business segments. As a rule, inter-segment transfers are carried out on an arm's length basis. Inter-segment sales predominantly take place between Airbus Commercial Aircraft and Airbus Defence and Space and between Airbus Helicopters and Airbus Commercial Aircraft. The holding function of Airbus' Headquarters, the Airbus Group Bank and other activities not allocable to the reportable segments, combined together with consolidation effects, are disclosed in the column "Other/HQ/Conso."

Airbus SE
Unaudited Condensed Interim IFRS Consolidated Financial Information
for the three-month period ended 31 March 2017

Business segment information for the year ended 31 March 2017:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other/ HQ/Conso.	Consolidated
Total revenues	9,825	1,291	2,114	13,230	12	13,242
Internal revenues	-82	-142	-29	-253	-1	-254
Revenues	9,743	1,149	2,085	12,977	11	12,988
Research and development expenses	-403	-65	-60	-528	-20	-548
Profit before finance result and income taxes	336	-2	620	954	-102	852
Finance result						-206
Income taxes						-37
Profit for the period						609

Business segment information for the year ended 31 March 2016:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other/ HQ/Conso.	Consolidated
Total revenues	8,668	1,158	2,534	12,360	66	12,426
Internal revenues	-67	-149	-26	-242	-1	-243
Revenues	8,601	1,009	2,508	12,118	65	12,183
Research and development expenses	-380	-63	-66	-509	-38	-547
Profit before finance result and income taxes	289	33	88	410	-48	362
Finance result						193
Income taxes						-157
Profit for the period						398

6. Revenues, gross margin and profit before finance result and income taxes

Revenues of €12,988 million (first quarter 2016: €12,183 million) increased by €+805 million, mainly at Airbus Commercial Aircraft (€+1,157 million), mostly driven by a positive volume effect, particularly in the A350 XWB, and a favourable foreign exchange impact. This increase is partially offset by a decrease at Airbus Defence and Space (€-420 million) mainly due to perimeter changes.

The **gross margin** decreased by €-158 million to €1,285 million compared to €1,443 million in the first quarter 2016, mainly at Airbus Defence and Space, largely due to perimeter changes. The gross margin rate decreased from 11.8% to 9.9%.

In the first three months 2017, Airbus Commercial Aircraft has delivered 13 A350 XWB aircraft.

The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer's commitment. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up accelerates.

4 A400M aircraft were delivered during the first quarter 2017. In total, 42 aircraft have now been delivered to the customer as of 31 March 2017.

Industrial efficiency and military capabilities remain a challenge for the A400M programme and furthermore, the EASA Airworthiness Directive, linked to the Propeller Gear Box ("PGB") on the engine, and various PGB quality issues. In the first quarter 2017, Airbus continues with development activities toward achieving the capability roadmap shared with the customer, however achievement of contractual technical capabilities remains challenging.

In the first half-year 2016, management reviewed the programme evolution and estimated contract result incorporating the implications at this time of the revised engine programme and its associated recovery plan, technical issues related to the aluminium alloy used for some parts within the aircraft, recurring cost convergence issues, an updated assumption of export orders during the launch contract phase and finally some delays, escalation and cost overruns in the development programme. During the second half-year 2016, the programme encountered further challenges to meet military capabilities and management reassessed the industrial cost of the programme, now including an estimation of the commercial exposure. As a result of these reviews, Airbus Defence and Space has recorded a charge of €2,210 million in 2016 (thereof €1,026 million in the first half-year 2016). This remains to be the current best management assessment as of 31 March 2017. Challenges remain on meeting contractual capabilities, securing sufficient export orders in time, cost reduction and commercial exposure, which could be significant. Given the order of magnitude on the cumulative programme loss, the Board of Directors mandated the management in February 2017 to re-engage with customers to cap the remaining exposure. Discussions with the customer started in March 2017.

The A400M contractual SOC 1, SOC 1.5 and SOC 2 milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, and SOC 2 end of December 2015. The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised.

The **profit before finance result and income taxes** increased by €+490 million to €852 million compared to €362 million in the first three months 2016, mainly driven by an increase in other income, partly compensated by the decrease in gross margin.

Other income increased by €+618 million to €703 million compared to €85 million in the first three months 2016 mainly due to the capital gain from the sale of the defence electronics business (see Note 3 “Acquisitions and disposals”).

7. Finance result

Finance result deteriorated by €-399 million to €-206 million compared to €+193 million in the first three months 2016. This is mainly related to both a negative impact from revaluation of financial instruments of €-281 million and from foreign exchange valuation of monetary items of €-121 million.

8. Income tax

The **income tax** expense of €-37 million (first quarter 2016: €-157 million) corresponds to an effective tax rate of 5.7% (first quarter 2016: 28.3%). The effective tax rate was impacted by the disposal of the defence electronics business taxed at a reduced rate.

9. Earnings per share

	1 January - 31 March 2017	1 January - 31 March 2016
Basic earnings per share		
Profit for the period attributable to equity owners of the parent (Net income)	€608 million	€399 million
Weighted average number of ordinary shares outstanding	772,728,699	776,552,505
Basic earnings per share	€0.79	€0.51

Diluted earnings per share – Airbus’ categories of dilutive potential ordinary shares are share-settled Performance Units relating to Long-Term Incentive Plans and the convertible bond issued on 1 July 2015. In 2016, it also included the last Stock Option Plan (“SOP”) which expired in December 2016. During the first quarter 2017, the average price of the Company’s shares exceeded the exercise price of the share-settled Performance Units and therefore 417,618 shares (first three months 2016: 291,330 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in the first quarter 2017, by adding back €2 million of interest expense to the profit for the period attributable to equity owners of the parent (first three months 2016: €2 million) and by including 5,022,990 of dilutive potential ordinary shares.

	1 January - 31 March 2017	1 January - 31 March 2016
Diluted earnings per share		
Profit for the period attributable to equity owners of the parent (Net income)	€610 million	€401 million
Weighted average number of ordinary shares outstanding (diluted) ⁽¹⁾	778,169,307	781,866,825
Diluted earnings per share	€0.78	€0.51

(1) Dilution assumes conversion of all potential ordinary shares

10. Intangible assets and property, plant and equipment

Intangible assets decreased by €21 million to €12,047 million (prior year-end: €12,068 million) and includes goodwill of €9,414 million (prior year-end: €9,425 million).

The annual impairment tests were performed in the fourth quarter 2016 and led to no impairment charge.

Property, plant and equipment decreased by €129 million to €16,789 million (prior year-end: €16,918 million) mainly at Airbus Commercial Aircraft (€102 million). Property, plant and equipment includes leased assets of €166 million (prior year-end: €116 million).

11. Investments accounted for under the equity method

Investments accounted for under the equity method decreased by €140 million to €1,468 million (prior year-end: €1,608 million) and include mainly the equity investments on ASL, MBDA and ATR.

12. Other investments and other long-term financial assets

Composition of other investments and other long-term financial assets:

(In €million)	31 March 2017	31 December 2016
Other investments	2,177	2,091
Other long-term financial assets	1,911	1,564
Total non-current other investments and other long-term financial assets	4,088	3,655
Current portion of other long-term financial assets	397	522
Total	4,485	4,177

Other investments and other long-term financial assets increased by €308 million to €4,485 million (prior year-end: €4,177 million). Included in other investments is the remaining participation in Dassault Aviation of €984 million.

Other long-term financial assets mainly comprise the aircraft financing activities.

13. Inventories

Inventories of €33,484 million (prior year-end: €29,688 million) increased by €3,796 million. This is driven by Airbus Commercial Aircraft (€+3,422 million) and Airbus Defence and Space (€+205 million). The former mainly reflects an increase in work in progress associated with A350 XWB and A320 ramp-up.

14. Other financial assets and other financial liabilities

Composition of other financial assets:

(In €million)	31 March 2017	31 December 2016
Positive fair values of derivative financial instruments	853	893
Others	83	83
Total non-current other financial assets	936	976
Receivables from related companies	384	517
Positive fair values of derivative financial instruments	296	258
Others	486	482
Total current other financial assets	1,166	1,257
Total	2,102	2,233

Composition of other financial liabilities:

(In €million)	31 March 2017	31 December 2016
European Governments refundable advances	6,610	6,340
Negative fair values of derivative financial instruments	4,886	6,544
Others	416	429
Total non-current other financial liabilities	11,912	13,313
European Governments refundable advances	447	730
Negative fair values of derivative financial instruments	4,245	4,476
Others	519	555
Total current other financial liabilities	5,211	5,761
Total	17,123	19,074

The liabilities for derivative financial instruments have decreased as a result of the devaluation of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

15. Other assets and other liabilities

Composition of other assets:

(In €million)	31 March 2017	31 December 2016
Prepaid expenses	2,279	2,265
Others	67	93
Total non-current other assets	2,346	2,358
VAT receivables	1,812	1,589
Prepaid expenses	790	552
Other	539	435
Total current other assets	3,141	2,576
Total	5,487	4,934

Composition of other liabilities:

(In €million)	31 March 2017	31 December 2016
Other liabilities		
Customer advance payments	16,001	15,714
Others	595	565
Deferred income	283	288
Total non-current other liabilities	16,879	16,567
Other liabilities		
Customer advance payments	25,776	24,115
Tax liabilities (excluding income tax)	1,202	1,047
Others	3,069	2,373
Deferred income	988	917
Total current other liabilities	31,035	28,452
Total	47,914	45,019

16. Total equity

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to €5,623 million (prior year-end: €3,657 million) representing an increase of €+1,966 million. This is due to an increase in other comprehensive income of €+1,335 million, principally related to the mark to market revaluation of the hedge portfolio, and a net income for the period of €+608 million.

The total **number of shares** issued is 772,912,869 as of 31 March 2017 and 31 December 2016. The Company's shares are exclusively ordinary shares with a par value of €1.00. In the first three months 2017, the Company issued no new shares (first three months 2016: 93,000).

During the first quarter 2017, the number of treasury stock held by the Company remained at 184,170 as of 31 December 2016. No shares were sold back to the market nor cancelled (first three months 2016: 7,238,962 shares).

Non-controlling interests decreased to €-18 million (prior year-end: €5 million).

17. Provisions

Provisions are comprised of the following:

(In €million)	31 March 2017	31 December 2016
Provisions for pensions	8,556	8,656
Other provisions	7,943	8,313
Total	16,499	16,969
Thereof non-current portion	10,651	10,826
Thereof current portion	5,848	6,143

Other provisions are presented net of programme losses against inventories (see Note 13 "Inventories") and decreased by €-334 million.

An H225 Super Puma helicopter was involved in an accident on 29 April 2016. Management is cooperating fully with the authorities to determine the precise cause of the accident. An estimate of the related future costs has been prepared and is included in other provisions.

Airbus makes estimates and provides, across the programmes, for costs related to in service technical issues which have been identified and for which solutions have been defined, which reflects the latest facts and circumstances. Contractually, Airbus is not liable towards operators for any incidental, indirect or consequential damages. However, in view of overall commercial relationships and factual circumstances, contract adjustments may occur, and be considered on a case by case basis.

18. Cash flows, securities and financing liabilities

Cash flows

Cash used for operating activities amounts to €-1,356 million (first quarter 2016 adjusted: €2,287 million). Gross cash flow from operations (before change in other operating assets and liabilities) amounts to €-19 million (first quarter 2016: €+434 million). Change in other operating assets and liabilities amounts to €-1,337 million (first quarter 2016 adjusted: €-2,721 million), mainly related to increase on inventories, partly offset by advance payments received.

Cash provided by investing activities amounts to €+261 million (first quarter 2016: €-395 million). This comprises the impact of disposals for a total of €+906 million (first quarter 2016: €+9 million), which includes the sale of the defence electronics business (see Note 3 "Acquisitions and disposals"), and change in securities of €+285 million (first quarter 2016: €+384 million). This was partly offset by purchases of intangible assets and property, plant and equipment of €-482 million (first quarter 2016: €-563 million) and payments for investments in associates and other investments and long-term financial assets of €-450 million (first quarter 2016: €-115 million).

Cash provided by financing activities amounts to €+159 million (first quarter 2016: €-2,103 million). This corresponds to changes in long-term and short-term financing liabilities (first quarter 2016: €+2,479 million).

Securities

Non-current securities with a remaining maturity of more than one year decreased by €93 million to €9,804 million (prior year-end: €9,897 million). The movement is related to the cash management policy of Airbus.

Current securities with a remaining maturity of one year or less decreased by €-217 million to €1,334 million (prior year-end: €1,551 million).

Financing liabilities

Composition of financing liabilities:

(In € million)	31 March 2017	31 December 2016
Bonds	5,963	6,013
Liabilities to financial institutions	2,112	2,072
Loans	294	331
Liabilities from finance leases	365	374
Others	1	1
Long-term financing liabilities	8,735	8,791
Bonds	234	0
Liabilities to financial institutions	257	351
Loans	266	332
Liabilities from finance leases	15	15
Others	1,067	989
Short-term financing liabilities	1,839	1,687

The increase in **short-term financing liabilities** is mainly related to higher commercial paper programmes.

19. Financial instruments

Composition of derivative financial instruments:

(In € million)	31 March 2017	31 December 2016
Non-current positive fair values	853	893
Current positive fair values	296	258
Total positive fair values of derivative financial instruments	1,149	1,151
Non-current negative fair values	-4,886	-6,544
Current negative fair values	-4,245	-4,476
Total negative fair values of derivative financial instruments	-9,131	-11,020
Total net fair value of derivative financial instruments	-7,982	-9,869

The volume of hedged US dollar-contracts was US\$99.9 billion as at 31 March 2017 (prior year-end US\$102.4 billion). The US dollar spot rate was 1.07 US\$/€ and 1.05 US\$/€ at 31 March 2017 and at 31 December 2016, respectively. The average US dollar hedge rate for the hedge portfolio of Airbus decreased to 1.18 US\$/€ as at 31 March 2017 compared to 1.19 US\$/€ as at 31 December 2016.

Carrying amounts and fair values

Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies as described in detail in Note 35.2 to the 2016 Consolidated Financial Statements. For the first three months 2017, Airbus has applied the same methodologies for the fair value measurement of financial instruments.

Carrying amount is a reasonable approximation of fair value for all classes of financial instruments listed in the first table of Note 35.2 to the 2016 Consolidated Financial Statements, with the exception of:

(In € million)	31 March 2017		31 December 2016	
	Book value	Fair value	Book value	Fair value
Financing liabilities				
Issued bonds and commercial papers	-6,197	-6,385	-6,013	-6,217
Liabilities to financial institutions and other financing liabilities	-3,997	-3,996	-4,076	-4,086

As explained in Note 35.2 to the 2016 Consolidated Financial Statements, no fair value can be determined for certain unlisted equity investments and European Governments refundable advances.

The following table allocates the financial assets and liabilities measured at fair value to the three levels of the fair value hierarchy⁽¹⁾:

(In € million)	31 March 2017				31 December 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,662	0	0	1,662	1,597	0	0	1,597
Derivative instruments	0	1,149	0	1,149	0	1,148	3	1,151
Securities	11,138	0	0	11,138	11,446	2	0	11,448
Cash equivalents	4,780	1,129	0	5,909	5,513	1,535	0	7,048
Total	17,580	2,278	0	19,858	18,556	2,685	3	21,244
Financial liabilities measured at fair value								
Derivative instruments	0	-9,111	-20	-9,131	0	-11,009	-11	-11,020
Other liabilities	0	0	-32	-32	0	0	-38	-38
Total	0	-9,111	-52	-9,163	0	-11,009	-49	-11,058

(1) The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

(In € million)	Financial assets		Financial liabilities			
	Commodity swap agreements	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
Balance at 1 January 2016	46	46	-64	0	-10	-74
Profit or loss	-3	-3	0	0	0	0
Settlements	-8	-8	38	0	0	38
Balance at 31 March 2016	35	35	-26	0	-10	-36
Balance at 1 January 2017	3	3	-28	-11	-10	-49
Profit or loss	0	0	0	-8	0	-8
Other comprehensive income	0	0	6	0	0	6
Settlements	-3	-3	0	-1	0	-1
Balance at 31 March 2017	0	0	-22	-20	-10	-52

For a description of the valuation techniques, inputs and process used in the fair value measurement of these financial instruments and a description of sensitivity analysis performed, refer to Note 35.2 of the Consolidated Financial Statements. There is no material difference between the outcome of sensitivity analysis performed at 31 March 2017, compared to the outcome disclosed in the year-end financial statements.

20. Litigation and claims

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

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

WTO

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

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

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

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

GPT

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

Eurofighter Austria

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the public prosecutors in Germany. Airbus' request for access to the prosecutor's file is pending. Airbus Defence and Space GmbH settled with the tax authorities in August 2016 on the question of deductibility of payments made in connection with the Eurofighter Austria campaign. In February 2017, the Austrian Federal Ministry of Defence has raised criminal allegations against Airbus Defence and Space GmbH for wilful deception and fraud in the context of the sale of the Eurofighter aircraft to Austria and respective damage claims. After the Austrian Federal Ministry of Defence raised its criminal allegations, the Austrian public prosecutor opened an investigation. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF into Civil Aviation Business

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

ECA financing

ECA financing continues to be suspended. Airbus is working with the relevant ECAs to re-establish ECA financing.

Other investigations

In October 2014, the Romanian authorities announced an investigation relating to a border surveillance project in Romania. Airbus confirms that Airbus Defence and Space GmbH had been informed that the German prosecution office is also investigating potential irregularities in relation to this project, a project in Saudi Arabia and a project of Tesat-Spacecom GmbH & Co. KG. The public prosecutor in Germany has launched administrative proceedings in the context of those investigations against Airbus Defence and Space GmbH and Tesat-Spacecom GmbH & Co. KG. Airbus has cooperated fully with the authorities. In October 2016, the German authorities announced that they were dropping their investigations into the Romanian and Saudi projects. The tax authorities may challenge the tax treatment of business expenses in connection with the Romanian and Saudi projects.

In 2013, public prosecutors in Greece and Germany launched investigations into a current employee and former managing directors and employees of Atlas Elektronik GmbH ("Atlas"), a wholly-owned company of ThyssenKrupp (prior to April 2017, a joint company of ThyssenKrupp and Airbus), on suspicion of bribing foreign officials and tax evasion in connection with projects in Greece. The public prosecutor in Germany has launched an administrative proceeding for alleged organisational and supervisory shortfalls against Atlas. The authorities in Greece have launched civil claims against Atlas. In 2015, the public prosecutor in Germany launched another investigation into current and former employees and managing directors of Atlas on suspicion of bribery and tax evasion in connection with projects in Turkey and extended the investigation in 2016 to five current and former employees of Atlas' current shareholder and former shareholder. A further investigation was also launched against two former Atlas employees on suspicion of bribery in connection with projects in Pakistan. In 2016 two further investigations were started by the Bremen public prosecutor with regard to operations in Indonesia and Thailand. With the support of its current and former shareholders, Atlas is cooperating fully with the authorities and is conducting its own internal investigation. Settlement talks with the Bremen public prosecutor started in November 2016.

Airbus is cooperating with a judicial investigation against unknown persons in France related to Kazakhstan. Airbus is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

Review of business partner relationships

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

Commercial disputes

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

In the course of another commercial dispute, Airbus received a statement of claim alleging liability for refunding part of the purchase price of a large contract which the customer claims it was not obliged to pay. The dispute is currently the subject of arbitration.

21. Number of employees

The number of employees as at 31 March 2017 is 130,289 as compared to 133,782 as at 31 December 2016.

22. Subsequent events

On 5 April 2017, Airbus placed bonds for a total of US\$1.5 billion, with a 10 year-maturity tranche of US\$750 million at a fixed coupon of 3.150%, and a 30 year-maturity tranche of US\$750 million at a fixed coupon of 3.950%. Issuance and settlement of these bonds occurred on 10 April 2017.