Financial Statements 2019

Financial Statements

Chapter

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Airbus SE IFRS Consolidated Financial Statements

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

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

Earnings per share		**€**	**€**
Basic	18	(1.75)	3.94
Diluted	18	(1.75)	3.92

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

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

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

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

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

(In € million)	Note	2019	2018
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		784	777
Share premium		3,555	2,941
Retained earnings		2,241	5,923
Accumulated other comprehensive income		(523)	134
Treasury shares		(82)	(51)
Total equity attributable to equity owners of the parent		**5,975**	**9,724**
Non-controlling interests		15	(5)
Total equity	34	**5,990**	**9,719**
Liabilities			
Non-current liabilities			
Non-current provisions	24	12,542	11,571
Long-term financing liabilities	36	8,189	7,463
Non-current contract liabilities	22	16,980	15,832
Non-current other financial liabilities	25	7,498	8,009
Non-current other liabilities	26	384	460
Deferred tax liabilities	17	398	1,318
Non-current deferred income		54	40
Total non-current liabilities		**46,045**	**44,693**
Current liabilities			
Current provisions	24	6,372	7,317
Short-term financing liabilities	36	1,959	1,463
Trade liabilities	22	14,808	16,237
Current contract liabilities	22	26,426	26,229
Current other financial liabilities	25	2,647	2,462
Current other liabilities	26	6,817	5,288
Current tax liabilities		2,780	732
Current deferred income		565	626
Total current liabilities		**62,374**	**60,354**
Disposal group of liabilities classified as held for sale	7	0	432
Total liabilities		**108,419**	**105,479**
Total equity and liabilities		**114,409**	**115,198**

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

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

(In € million)	Note	2019	2018
Operating activities			
(Loss) Profit for the period attributable to equity owners of the parent (Net income)		(1,362)	3,054
(Loss) Profit for the period attributable to non-controlling interests		37	(43)
Adjustments to reconcile profit for the period to cash provided by operating activities			
Interest income		(228)	(208)
Interest expense		339	440
Interest received		151	186
Interest paid		(187)	(292)
Income tax expense		2,389	1,274
Income tax paid		(1,476)	(897)
Depreciation and amortisation	10	2,927	2,444
Valuation adjustments		600	(1,849)
Results on disposals of non-current assets		(77)	(261)
Results of investments accounted for under the equity method		(299)	(330)
Change in current and non-current provisions		475	1,952
Contribution to plan assets		(1,752)	(2,519)
Change in other operating assets and liabilities		**2,216**	**(633)**
Inventories		117	(671)
Trade receivables		29	(881)
Contract assets and liabilities		1,297	(684)
Trade liabilities		(1,625)	2,294
Other assets and liabilities and others		2,398	(691)
Cash provided by operating activities [(1)]		**3,753**	**2,318**
Investing activities			
Purchases of intangible assets, property, plant and equipment, investment property		(2,340)	(2,285)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		112	213
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)		8	129
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(952)	(707)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		358	597
Dividends paid by companies valued at equity	8	210	191
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	7	137	320
Payments for investments in securities		(2,861)	(2,010)
Proceeds from disposals of securities		2,464	1,917
Cash (used for) investing activities		**(2,864)**	**(1,635)**
Financing activities			
Increase in financing liabilities	36	402	103
Repayment of financing liabilities	36	(562)	(2,411)
Cash distribution to Airbus SE shareholders	34	(1,280)	(1,161)
Dividends paid to non-controlling interests		0	0
Payments for liability for puttable instruments		319	179
Changes in capital and non-controlling interests		194	117
Change in treasury shares		(31)	(49)
Cash (used for) financing activities		**(958)**	**(3,222)**
Effect of foreign exchange rate changes on cash and cash equivalents		(45)	(54)
Net (decrease) in cash and cash equivalents		**(114)**	**(2,593)**
Cash and cash equivalents at beginning of period		**9,428**	**12,021**
Cash and cash equivalents at end of period	36	**9,314**	**9,428**
thereof presented as cash and cash equivalents	36	*9,314*	*9,413*
thereof presented as part of disposal groups classified as held for sale	7	*0*	*15*

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

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

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

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

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

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

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Notes to the IFRS Consolidated Financial Statements

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2.1 Basis of Preparation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** together with its subsidiaries referred to as "the Company", a European public limited-liability company (*Societas Europaea*) with its seat (*statutaire zetel*) in Amsterdam, The Netherlands, its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945.

The Company's reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see "– Note 10: Segment Information"). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 12 February 2020.

2. Significant Accounting Policies

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

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

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

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

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

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

The Company transfers control over time when:

- it produces a good with no alternative use and the Company has an irrevocable right to payment (including a reasonable margin) for the work completed to date, in the event of contract termination at the convenience of customers (*e.g.* Tiger contract); or
- it creates a good which is controlled by the customer as the good is created or enhanced (*e.g.* Eurofighter contracts, some border security contracts, A400M development); or
- the customer simultaneously receives and consumes the benefits provided by the Company (*e.g.* maintenance contracts).

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

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

Provisions for onerous contracts — The Company records provisions for onerous contracts when it becomes probable that the total contract costs will exceed total contract revenue. Before a provision for onerous contracts is recorded, the related assets under construction are measured at their net realisable value and written-off if necessary. Onerous contracts are identified by monitoring the progress of the contract together

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with the underlying programme status. An estimate of the related contract costs is made, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see "– Note 3: Key Estimates and Judgements", "– Note 11: Revenue and Gross Margin" and "– Note 24: Provisions, Contingent Assets and Contingent Liabilities").

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

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

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

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

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

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

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

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

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

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

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

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

3. Key Estimates and Judgements

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

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

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

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

The Company makes estimates and provides across the programmes, for costs related to identified in service technical issues for which solutions have been defined, and for which the associated costs can be reliably estimated taking into consideration the latest facts and circumstances. The Company is contractually liable for the repair or replacement of the defective parts but not for any other damages whether direct, indirect, incidental or consequential (including loss of revenue, profit or use). However, in view of overall commercial relationships, contract adjustments may occur, and must be considered on a case by case basis.

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

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

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

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

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

4. Change in Accounting Policies and Disclosures

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

New, Revised or Amended IFRSs Applied from 1 January 2019

IFRS 16 “Leases”

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

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

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

Identifying a lease

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

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

The Company as a lessee

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

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

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

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

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

The Company as a lessor

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

Impacts on financial statements

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

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

IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

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

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

New, Revised or Amended IFRSs Issued but not yet Applied

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

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

5. Brexit

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

2.2 Airbus Structure

6. Scope of Consolidation

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

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

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

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

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

PERIMETER OF CONSOLIDATION

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

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

7. Acquisitions and Disposals

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

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

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

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

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

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

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

7.1 Acquisitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.2 Disposals

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

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

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

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

7.3 Assets and Disposal Groups Classified as Held for Sale

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

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

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

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

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

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

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

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8. Investments Accounted for under the Equity Method

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

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

8.1 Investments in Joint Ventures

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

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

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

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

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

The Company holds a 37.5% stake in **MBDA** at 31 December 2019, which is a joint venture between the Company, BAE Systems and Leonardo. MBDA offers missile systems capabilities that cover the whole range of solutions for air dominance, ground-based air defence and maritime superiority, as well as advanced technological solutions for battlefield engagement.

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

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

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

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

The development of these investments is as follows:

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

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

8.2 Investments in Associates

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

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

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

9. Related Party Transactions

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

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

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

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

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

2.3 Segment Information

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

- **Airbus** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components. It also includes the holding function of the Company and its bank activities.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military Aircraft design, development, delivery, and support of military aircraft such as combat, mission, transport and tanker aircraft and their associated services. Space Systems design, development, delivery, and support of full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Connected Intelligence provision of services around data processing from platforms, secure communication and cyber security. In addition, the main joint ventures design, develop, deliver, and support missile systems as well as space launcher systems. Unmanned Aerial Systems design, development, delivery and service support.

10. Segment Information

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

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

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

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

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

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

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

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

(1) Excluding expenditure for leased assets.

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

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

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

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

2.4 Airbus Performance

11. Revenue and Gross Margin

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Administrative Expenses

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

13. Research and Development Expenses

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

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

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

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

15. Other Income and Other Expenses

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

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

16. Total Financial Result

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

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

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

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

17. Income Tax

The expense for income taxes is comprised of the following:

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

Main income tax rates and main changes impacting the Company:

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

(1) A tax law has been enacted in 2019 changing the rate for income taxes from 25.00% to 21.70% as of 2021.
(2) A tax law has been enacted in 2017 changing the rate for income taxes from 34.43% to 32.02% for 2019, to 28.92% for 2020, to 27.37% for 2021 and to 25.83% from 2022. This tax law has been amended in 2019 postponing the tax rate decrease to 32.02% to 2020, to 28.4% to 2021 and to 25.83% from 2022.
(3) 17% from 1 April 2020.

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

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

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

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

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

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

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

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

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

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

Roll forward of deferred tax:

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

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

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

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

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

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

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

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

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

18. Earnings per Share

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

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

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

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

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

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

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

2.5 Operational Assets and Liabilities

19. Intangible Assets

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

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

31 December 2019 and 2018 comprise the following:

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

NET BOOK VALUE

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

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

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

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

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

Capitalised Development Costs

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

Impairment Tests

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

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

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

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

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

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

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

General Assumptions Applied in the Planning Process

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

The operative planning, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:
- increase of expected future labour expenses of 2.0% (2018: 2.0%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2018: 1.25 US$/€) to convert in euro the portion of future US dollar which is not hedged (see "– Note 37: Information about Financial Instruments);

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

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

Airbus

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

Airbus Helicopters

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

Airbus Defence and Space

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

20. Property, Plant and Equipment

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

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

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

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

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

(1) Includes the net book value of aircraft under operating lease (see "– Note 27: Sales Financing Transactions").
(2) The net book value of land and buildings under right-of-use assets amounts to € 1,369 million.

NET BOOK VALUE

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

(1) Includes property, plant and equipment from entities disposed (see "– Note 7: Acquisitions and Disposals").
(2) Accelerated depreciation previously included in onerous contract provision has been offset with the release of the provision in the presentation of the Consolidated Statement of Cash Flows for the year ended 2019.

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHICAL AREAS

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

The Company as Lessee

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

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

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

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

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

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

Real Estate Leases

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

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

Vehicle Leases

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

Other Leases

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

Off-Balance Sheet Commitments

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

21. Other Investments and Other Long-Term Financial Assets

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

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

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

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

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

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

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

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

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

Contract Assets, Contract Liabilities and Trade Receivables

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

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

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

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

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

Trade Liabilities

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

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

23. Inventories

2

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

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

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

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

24. Provisions, Contingent Assets and Contingent Liabilities

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

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

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

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

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

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

Movements in other provisions during the year were as follows:

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

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

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

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

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

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

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

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

25. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

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

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

Other Financial Liabilities

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

(1) See "– Note 37: Information about Financial Instruments".
(2) Refundable advances from European Governments are provided to the Company to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they are repaid to the European Governments subject to the success of the project.

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

The allocation of European Governments' refundable advances between non-current and current presented in the IFRS Consolidated Financial Statements ended 31 December 2019 is based on the applicable contractual repayment dates.

The European Governments' refundable advances decreased by € -300 million to € 4,277 million (2018: € 4,577 million), primarily related to the payments made on the A380 programme (see "– Note 11: Revenue and Gross Margin").

26. Other Assets and Other Liabilities

Other Assets

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

Other Liabilities

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

27. Sales Financing Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On-Balance Sheet Operating and Finance Leases

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

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

Financing Liabilities

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

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

Customer Financing Cash Flows

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

Customer Financing Exposure

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

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

(1) For 2019 and 2018, depreciation amounts to €9 million and €10 million respectively and related accumulated depreciation is €44 million and €55 million respectively.
(2) See "– Note 24: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

28. Number of Employees

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

29. Personnel Expenses

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

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

30. Personnel-Related Provisions

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

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

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

31. Post-Employment Benefits

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

31.1 Provisions for Retirement Plans

Plans description

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Risks for the Company

The defined benefit obligation ("DBO") exposes the Company to actuarial risks, including the following ones:

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

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

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

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

2

Main Average Assumptions

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

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

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

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

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

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

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

The development of the provision is set out below:

	DBO			Plan assets			
(In € million)	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Pension plans of the Company	Participation in BAE Systems Pension Scheme in the UK	Total	Total provisions
Balance at 1 January 2018	**11,299**	**3,571**	**14,870**	**(4,911)**	**(2,832)**	**(7,743)**	**7,127**
Service cost (including past service cost)	381	84	464	0	0	0	464
Interest cost and income	202	85	287	(97)	(68)	(165)	123
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	112	(24)	88	0	0	0	88
changes in financial assumptions	(35)	(152)	(187)	0	0	0	(187)
changes in experience adjustments	117	48	165	0	0	0	165
plan assets	0	0	0	398	105	502	502
Changes in consolidation, transfers and others	247	0	247	(209)	0	(209)	38
Benefits paid	(380)	(115)	(495)	148	115	262	(233)
Contributions by employer and other plan participants	3	5	8	(1,281)	(335)	(1,616)	(1,608)
Foreign currency translation adjustments	(14)	(27)	(40)	11	25	36	(5)
Balance at 31 December 2018	**11,932**	**3,475**	**15,407**	**(5,941)**	**(2,990)**	**(8,933)**	**6,474**
Service cost (including past service cost)	443	63	506	0	0	0	506
Interest cost and income	206	94	300	(105)	(79)	(183)	117
Remeasurements: actuarial (gains) and losses arising from							
changes in demographic assumptions	1,011	(32)	979	0	0	0	979
changes in financial assumptions	1,446	310	1,756	0	0	0	1,756
changes in experience adjustments	105	(4)	102	0	0	0	102
plan assets				(538)	(128)	(667)	(667)
Changes in consolidation, transfers and others	(88)	0	(88)	(13)	0	(13)	(101)
Benefits paid	(403)	(106)	(509)	151	106	257	(252)
Contributions by employer and other plan participants	5	2	7	(1,590)	(91)	(1,681)	(1,674)
Foreign currency translation adjustments	92	189	280	(77)	(161)	(235)	46
Balance at 31 December 2019	**14,749**	**3,991**	**18,740**	**(8,113)**	**(3,343)**	**(11,455)**	**7,286**

The funding of the plans is as follows:

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

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

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

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

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

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

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

Pension obligations by countries and type of beneficiaries

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

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

Pension obligations sensitivity to main assumptions

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

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

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

Plan assets allocation

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

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

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

Provisions by Countries

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

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

Contributions to Defined Contribution Plans

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

31.2 Provisions for Deferred Compensation

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

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

The funding of the plans is as follows:

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

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

32. Share-Based Payment

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

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

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

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

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

32.1 LTIP

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

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

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

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

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

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

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

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

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

	LTIP 2014 (6)		LTIP 2015 (7)		LTIP 2016 (8)		LTIP 2017		LTIP 2018		LTIP 2019	
Grant date (1)	13 November 2014		29 October 2015		25 October 2016		30 October 2017		30 October 2018		29 October 2019	
	Performance and Restricted Unit Plan				Performance Plan							
Units	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares	Units	Shares	Units	Shares
Number of units granted (2)	1,114,9 62	291,420	926,398	240,972	615,792	621,198	421,638	425,702	278,376	281,181	247,508	247,508
Number of units/shares granted through Equity Pool (3)	0	0	0	0	1,762	1,762	1,898	1,898	6,664	6,664	0	0
Number of units outstanding (4)	0	0	340,239	113,086	432,617	436,694	402,925	406,989	281,306	284,111	247,508	247,508
Total number of eligible beneficiaries	1,621		1,564		1,671		1,601		1,626		1,576	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by a company of the Group at the respective vesting dates. Performance Units and Shares will vest upon achievement of mid-term business performance. Vesting schedule is made up of two payments over two years.											
Share price per unit limited at vesting dates to (5)	€ 94.90		€ 112.62		€ 105.34	-	€ 147.62	-	€ 213.88	-	€ 244.12	-
Vesting dates	50% in June 2018 50% in June 2019		50% in June 2019 50% expected in July 2020		50% each expected: in May 2020 in May 2021	100% expected: in May 2020	50% each expected: in May 2021 in May 2022	100% expected in May 2021	50% each expected: in May 2022 in May 2023	100% expected in May 2022	50% each expected: in May 2023 in May 2024	100% expected in May 2023
Number of vested units	814,238	271,275	311,473	113,711	654	654	94	94	0	0	0	0

(1) Date, when the vesting conditions were determined.
(2) Based on 100% target performance achievement. A minimum of 50% of Performance Units will vest; 100% in case of on-target performance achievement; up to a maximum of 150% in case of overachievement of performance criteria. In case of absolute negative results (cumulative EBIT of the Company) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).
(3) Mirroring the respective plan rules and regulations, but granted at a different date based on specific Board of Directors' resolutions.
(4) Including shares granted through the Equity Pool, if applicable.
(5) Corresponds to 200% of the respective reference share price. Overall, the pay-out for Performance Units is limited to a total amount of 250% of the units originally granted, each valued with the respective reference share price of €47.45 (for LTIP 2014), €56.31 (for LTIP 2015), €52.67 (for LTIP 2016),€73.81 (for LTIP 2017),€ 106.94 (for LTIP 2018) and € 122,06 (for LTIP 2019).
(6) Based on performance achievement of 80% for Performance Units under LTIP 2014.
(7) Based on performance achievement of 75% for Performance Units under LTIP 2015.
(8) Based on performance achievement of 75% for Performance Units under LTIP 2016.

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

32.2 ESOP

In 2019 and 2018, the Board of Directors approved a new ESOP scheme. Eligible employees were able to purchase a fixed number of previously unissued shares at fair market value (5, 15, 30, 50 or 100 shares). The Company matched each fixed number of shares with a number of the Company free shares based on a determined ratio (4, 7, 10, 13 and 25 free shares, respectively). During a custody period of at least one year, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Airbus SE shares have, in addition, the ability to vote at the Annual Shareholder Meetings. The subscription price was equal to the closing price at the Paris stock exchange on 13 February 2019 (2018: 14 February 2018) and amounted to €104.38 (2017: €84.17). Investing through a mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 13 February 2019 (2018: 14 February 2018), resulting in a price of €97.76 (2018: €88.65).

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

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

33. Remuneration

33.1 Remuneration – Executive Committee

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

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

(1) 2019 Termination benefits include the adjustment of the estimated amount accounted for in 2018 based on last information available and applicable law.
(2) Costs of benefits provided through applicable mandatory collective and social security plans are accounted for among social charges.

Salaries and Other Short-Term Benefits (Including Bonuses)

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

Post-Employment and Other Long-Term Benefits

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

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

Share-Based Remuneration ("LTIP Award")

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

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

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

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

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

Termination Benefits

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

In the case of contract termination, the Executive Committee Members are entitled to an indemnity equal to 1.5 times the Total Target Remuneration (defined as Base Salary and target Annual Variable Remuneration) with respect to applicable local legal requirements, if any.

This will not apply if the Executive Committee mandate is terminated for cause, in case of dismissal, if the Executive Committee Member resigns or has reached retirement age.

The Executive Committee Members' contract includes a non-compete clause which applies for a minimum of one year and can be extended at the Company's initiative for a further year. The Board of Directors has the discretion to waive or invoke the extension of the non-compete clause when legally or contractually possible. The compensation for each year that the non-compete clause applies is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and Annual Variable Remuneration most recently paid) with respect to applicable local legal requirements, if any.

Past LTIP awards may be maintained in full or prorated, in such cases as in case of retirement or if a mandate is not renewed by the Company without cause, prorata being based on the presence in the Company during performance periods. The vesting of past LTIP awards follows the plans' rules and regulations and is not accelerated in any case. LTIP awards are forfeited for Executives who leave the Company on their own initiative, but this is subject to review by the Board of Directors.

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

Other Benefits

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

33.2 Remuneration – CEO

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

It can be summarised as follows:

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

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

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

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

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

Annual Variable Pay

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

Post-Employment Benefit Costs

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

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

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

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

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

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

Share-Based Remuneration

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

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

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

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

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

Termination Benefits

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

Other Benefits

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

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

33.3 Remuneration – Board of Directors

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

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

(1) Fixum includes a base fee for Board membership and Committee membership within the Audit Committee, the Remuneration, Nomination and Governance Committee ("RNGC") and/or the Ethics & Compliance Committee ("E&C") as the case may be. The fixum for the year 2019 was paid 50% in July 2019 and 50% in January 2020. The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018.
(2) 2019 attendance fees include the board attendance fees and the ones in relation to Audit Committee, RNGC and E&C Committee meetings. The Board attendance fees related to the first semester 2019 were paid in July 2019, those related to the second semester 2019 were paid in January 2020. The Committee attendance fees related to full year 2019 were paid in January 2020.
(3) Member of the Board of Directors and the Audit Committee since 11 April 2018.
(4) Member of the Company Board of Directors and the RNGC since 11 April 2018. Member of the E&C Committee since 10 April 2019.
(5) Member of the E&C Committee since 11 April 2018.
(6) Chair of the Audit Committee since 10 April 2019.
(7) Member of the Board of Directors and the Audit Committee since 11 April 2018. Member of the E&C Committee since 30 July 2019.
(8) Member of the Company Board of Directors until 11 April 2018.

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2.7 Capital Structure and Financial Instruments

34. Total Equity

34.1 Equity Attributable to Equity Owners of the Parent

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

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

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

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

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

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

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

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

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

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

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

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

Also on 10 April 2019, the AGM authorised the Board of Directors for an 18-month period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

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

34.2 Non-Controlling Interests

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

35. Capital Management

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

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

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

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

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

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

The key elements of the Value Based Management concept are:
- the definition of financial returns;
- the definition of the Company's capital base; and
- the measurement of value creation derived from the two above.

The Company uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Company, uses EBIT for the numerator and Average Capital Employed for the denominator.

The Average Capital Employed for the Company is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus Operating Cash less Other Provisions.

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

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

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

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

36. Net Cash

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

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

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

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

36.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

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

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

36.2 Securities

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

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

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

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

36.3 Financing Liabilities

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

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

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

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

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

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

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

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

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

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

Reconciliation of liabilities arising from financing liabilities:

(In € million)	Balance at 31 December 2018	IFRS 16 Impact	Balance at 1 January 2019	Cash flows	Non-cash movements: Changes in scope	Foreign exchange movements	Others [(1)]	**Balance at 31 December 2019**
Bonds and commercial papers	6,659	0	6,659	(168)	0	0	0	6,491
Liabilities to financial institutions	353	0	353	0	0	(3)	0	350
Loans	299	0	299	106	(60)	(62)	0	283
Finance lease liabilities	330	1,352	1,682	(294)	0	172	0	1,560
Others	1,285	0	1,285	196	0	(17)	0	1,464
Total	**8,926**	**1,352**	**10,278**	**(160)**	**(60)**	**90**	**0**	**10,148**

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

37. Information about Financial Instruments

37.1 Financial Risk Management

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

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

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

Market Risk

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

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

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

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

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

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

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

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

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

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

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

In military aircraft and non-aircraft businesses, the Company hedges inflows and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception.

The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

– a five-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
– a 95% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 5% statistical probability that losses could exceed the calculated VaR;
– the use of historical data as a basis for estimating the statistical behaviour of the relevant markets and finally determining the possible range of future outcomes out of this statistical behaviour may not always cover all possible scenarios, especially those of an exceptional nature.

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

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

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

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

Liquidity Risk

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

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

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

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

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

Lease Liabilities

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

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

Credit Risk

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

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

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

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

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

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

37.2 Carrying Amounts and Fair Values of Financial Instruments

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

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

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

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

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

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

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

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

(In € million)	Fair value through profit or loss	Fair value through OCI	Financial assets and liabilities at amortised cost: Amortised cost	Financial assets and liabilities at amortised cost: Fair value	Financial instruments total: Book value	Financial instruments total: Fair value
Assets						
Other investments and other long-term financial assets						
Equity investments [1]	1,125	1,390	0	0	2,516	2,516
Customer financing	350	0	0	0	350	350
Other loans	0	0	2,036	2,036	2,036	2,036
Trade receivables	0	0	5,674	5,674	5,674	5,674
Contract assets	0	0	1,258	1,258	1,258	1,258
Other financial assets						
Derivative instruments	1,440	0	0	0	1,440	1,440
Non-derivative instruments	0	0	1,653	1,653	1,653	1,653
Securities	0	13,368	0	0	13,368	13,368
Cash and cash equivalents	7,014	652	1,648	1,648	9,314	9,314
Total	**9,929**	**15,410**	**12,269**	**12,269**	**37,609**	**37,609**
Liabilities						
Financing liabilities						
Bonds and commercial papers	0	0	(6,491)	(6,696)	(6,491)	(6,696)
Liabilities to financial institutions and others	0	0	(2,096)	(2,098)	(2,096)	(2,098)
Finance lease liabilities	0	0	(1,560)	(1,560)	(1,560)	(1,560)
Other financial liabilities						
Derivative instruments	(3,994)	0	0	0	(3,994)	(3,994)
European Governments' refundable advances [2]	0	0	(4,277)	(4,277)	(4,277)	(4,277)
Others	0	(1,014)	(859)	(859)	(1,873)	(1,873)
Trade liabilities	0	0	(14,808)	(14,808)	(14,808)	(14,808)
Total	**(3,994)**	**(1,014)**	**(30,091)**	**(30,298)**	**(35,099)**	**(35,306)**

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

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

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

(1) Other than those accounted for under the equity method.
(2) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IFRS 9.
(3) The European Governments' refundable advances of €-4,577 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

Fair Value Hierarchy

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;

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– Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from the Company's own data and may require the use of assumptions that are inherently judgemental and involve various limitations.

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

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

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

(1) Reclassified from Level 2 to Level 1.

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

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

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

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

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

Financial Assets Designated at Fair Value through Profit or Loss

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

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

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

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

Fair Value Measurement Method

The Company uses the following methods to measure fair values:

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

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

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

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

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

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

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

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

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

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

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

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

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

37.4 Notional Amounts of Derivative Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37.5 Derivative Financial Instruments and Hedge Accounting Disclosure

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

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

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

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

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

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

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

37.6 Net Gains or Net Losses

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

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

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

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

37.7 Impairment Losses

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

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

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

(In € million)	Stage 1 12-month ECL	Stage 2 Life-time ECL	Stage 3 Credit impaired ECL	**Total**
At 1 January 2019	3.49	1.13	0	4.62
Change in financial assets	0.01	(0.69)	0	(0.68)
Change in risk parameters	0.67	(0.17)	0	0.50
At 31 December 2019	**4.17**	**0.27**	**0**	**4.44**

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

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

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

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

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

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

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

2.8 Other Notes

38. Litigation and Claims

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

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

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

WTO

Although the Company is not a party, the Company is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing.

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

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

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

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

GPT

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

Eurofighter Austria

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

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

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

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

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

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

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

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

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

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

In addition to any pending investigation in other jurisdictions, the factual disclosures made in the course of reaching the agreements may result in the commencement of additional investigations in other jurisdictions. Such investigations could also result in (i) civil claims or claims by shareholders against the Company, (ii) adverse consequences on the Company's ability to obtain or continue financing for current or future projects, (iii) limitations on the eligibility of group companies for certain public sector contracts, and/or (iv) damage to the Company's business or reputation via negative publicity adversely affecting the Company's prospects in the commercial market place.

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

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

ECA Financing

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

Other Investigations

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

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

Other Disputes

In the course of a commercial dispute, the Company received a statement of claim by the Republic of China (Taiwan) alleging liability for refunding part of the purchase price of a large contract for the supply of missiles by subsidiary Matra Défense S.A.S., which the customer claims it was not obliged to pay. An arbitral award was rendered on 12 January 2018 with a principal amount of € 104 million plus interest and costs against Matra Défense S.A.S. Post-award proceedings are currently underway.

39. Auditor Fees

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

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

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

40. Events after the Reporting Date

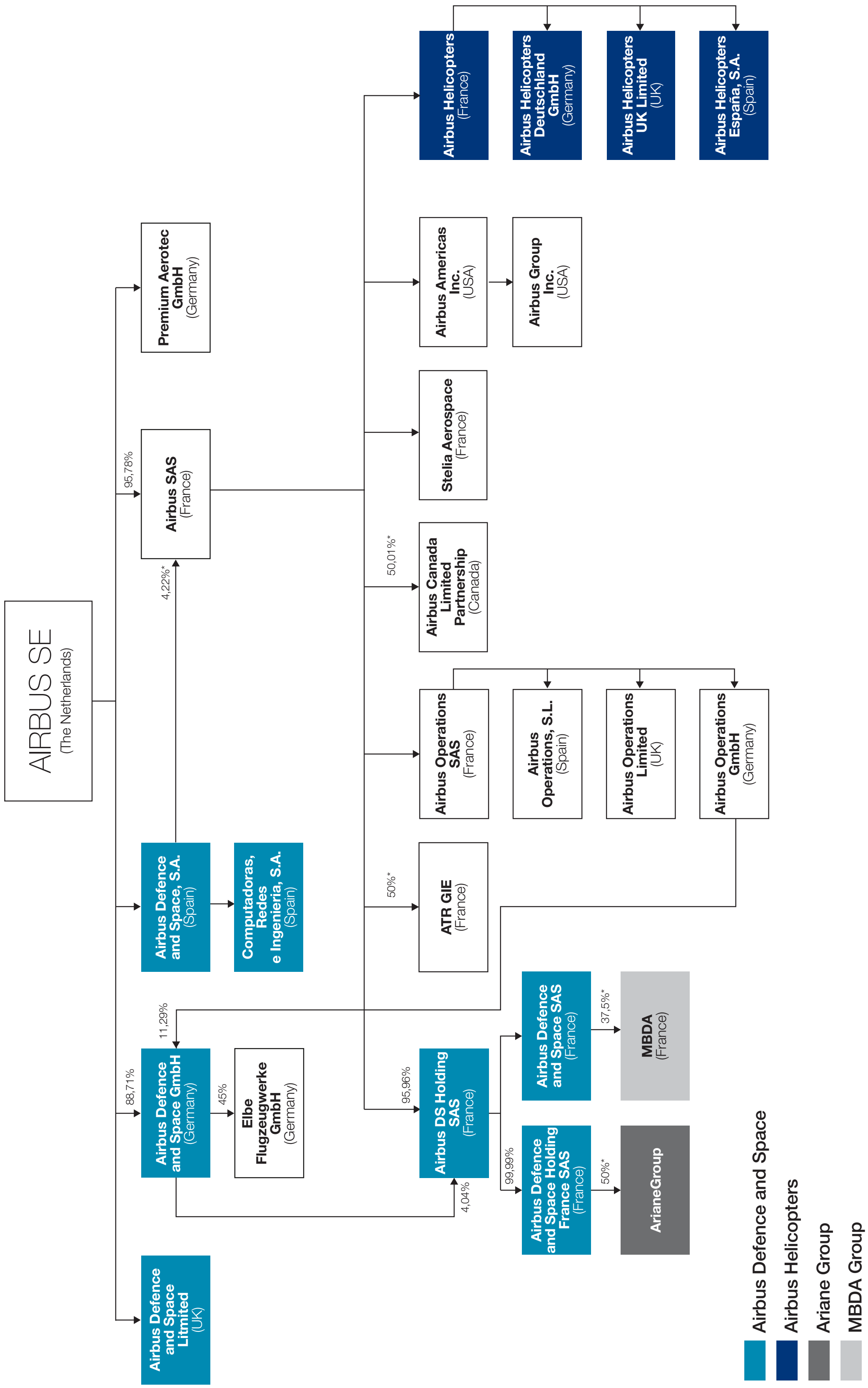
On 31 January 2020, the Company reached final agreements with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO) and the U.S. Department of State (DoS) (see "– Note 38: Litigation and Claims").

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

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

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

2.9 Appendix "Simplified Airbus Structure"



Subsidiaries held with no indication of ownership percentage are 100% owned.
**Indirectly*
Legal forms are indicated for information purposes and are not always part of the legal name.

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

Chapter

3

3
Airbus SE IFRS Company Financial Statements

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

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

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

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

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

(In € million)	Note	**2019**	2018
Assets			
Non-current assets			
Investments in subsidiaries and associates	8	16,960	16,797
Long-term financial assets	9	1,794	1,468
Non-current other financial assets	9	3,066	1,882
Non-current other assets		0	1
Deferred tax assets	7	0	12
Non-current securities	13	10,811	10,473
		32,631	**30,633**
Current assets			
Trade receivables		32	165
Short-term financial assets	9	44	240
Current other financial assets	9	1,777	1,912
Current accounts Airbus companies	9	8,574	8,013
Current other assets		85	85
Current securities	13	2,255	2,073
Cash and cash equivalents	13	8,129	7,886
		20,896	**20,374**
Total assets		**53,527**	**51,007**
Equity and liabilities			
Stockholders' equity	12		
Capital stock		784	777
Share premium		3,555	2,941
Retained earnings		5,204	6,636
Legal reserves		174	31
Treasury shares		(82)	(51)
Result of the year		(3,665)	(227)
		5,970	**10,106**
Non-current liabilities			
Long-term financing liabilities	13	6,580	6,746
Non-current other financial liabilities	9	2,898	2,015
Deferred tax liabilities	7	34	0
		9,512	**8,761**
Current liabilities			
Short-term financing liabilities	13	0	0
Current accounts Airbus companies	9	32,510	30,175
Current other financial liabilities	9	1,793	1,906
Current other liabilities		3,742	58
		38,045	**32,139**
Total equity and liabilities		**53,527**	**51,007**

3

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

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

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

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

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

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4

Notes to the IFRS Company Financial Statements

Contents /

4.1 Basis of Presentation

1. The Company

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

2. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

3. Key Estimates and Judgements

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

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

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

4. Related Party Transactions

Key Management Personnel

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

Intercompany Transactions

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

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

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

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

4.2 Company Performance

5. Total Operating Result

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

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

6. Total Financial Result

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

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

7. Income Tax

The Company is tax registered in the Netherlands. The Company is heading a fiscal unity, which also includes Airbus Finance B.V. and Airbus Defence and Space Netherlands B.V. and therefore the Company is severally and jointly liable for income tax liabilities of the fiscal unity as a whole.

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

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

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

The expense for income taxes is comprised of the following:

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

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

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

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

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

	1 January 2019		Other movements		Movement through income statement	**31 December 2019**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(8)	(41)	0	0	0	(50)
Financial instruments	0	(1)	0	0	(5)	0	(6)
Net operating loss and tax loss carry forwards	21	0	0	0	1	22	0
Deferred tax assets (liabilities) before offsetting	**21**	**(9)**	**(41)**	**0**	**(4)**	**22**	**(56)**
Set-off	(9)	9	0	0	0	(22)	22
Net deferred tax assets (liabilities)	**12**	**0**	**(41)**	**0**	**(4)**	**0**	**(34)**

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

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

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

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

4.3 Operational Assets and Liabilities

8. Investments in Subsidiaries, Associates and Participations

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

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Investments in Subsidiaries, Associated Companies and Participations

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

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

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

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

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

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

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

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

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

Change of Investments in Subsidiaries

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

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

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

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

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

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

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

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

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

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

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

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

(1) Percentages represent share held directly by Airbus SE.

9. Financial Assets and Financial Liabilities

Financial assets at 31 December 2019 and 2018 are as follows:

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

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

Financial liabilities at 31 December 2019 and 2018 are as follows:

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

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

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10. Commitments and Contingencies

Off-Balance Sheet Commitments

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

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

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

4.4 Employees

11. Number of Employees

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

4.5 Capital Structure and Financial Instruments

12. Total Equity

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

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

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

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

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

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

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

Legal reserves includes:

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

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

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

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

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

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

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

Also on 10 April 2019, the AGM authorised the Board of Directors for an 18 months period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

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

Reconciliation Consolidated to Company Equity and Net Income

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

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

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

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

13. Cash, Securities and Financing Liabilities

13.1 Net Cash

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

13.2 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

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

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

13.3 Securities

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

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

13.4 Financing Liabilities

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

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

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

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € 166 million to € 6,580 million (2018: €6,746 million). The decrease in long-term financing liabilities is mainly related to the conversion of the convertible bond issued on 1 July 2015 for an amount of € 500 million into 5,020,942 shares. The conversion price was € 99.54 per ordinary share. The conversion rate was 99.96%.

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

Reconciliation of liabilities arising from financing liabilities:

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

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

14. Information about Financial Instruments

14.1 Financial Risk Management

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

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

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

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

Market Risk

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year- 2 years	2 years- 3 years	3 years- 4 years	4 years- 5 years	> 5 years
31 December 2019								
Non-derivative financial liabilities	(6,580)	(7,773)	(125)	(1,291)	(124)	(1,015)	(1,100)	(4,118)
Derivative financial liabilities	(4,691)	(6,188)	(1,741)	(1,804)	(1,421)	(862)	(298)	(62)
Total	**(11,271)**	**(13,961)**	**(1,866)**	**(3,095)**	**(1,545)**	**(1,877)**	**(1,398)**	**(4,180)**
31 December 2018								
Non-derivative financial liabilities	(6,746)	(7,766)	(48)	(48)	(1212)	(547)	(921)	(4,990)
Derivative financial liabilities	(3,921)	(4,768)	(2,085)	(1,160)	(856)	(427)	(160)	(80)
Total	**(10,667)**	**(12,534)**	**(2,133)**	**(1,208)**	**(2,068)**	**(974)**	**(1,081)**	**(5,070)**

Credit Risk

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

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

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

Sales of products and services are made to customers after having conducted appropriate internal credit risk assessment.

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

In 2019, the total receivables, neither past due nor impaired amount to €33 million (in 2018: €250 million).

The Company measures loss allowances at an amount that represents credit losses resulting from default events that are possible within the newt 12 months, unless the credit risk on a financial instrument has increased significantly since initial recognition, as described in section 37.7 "Impairment losses" of the Notes to the Consolidated Financial Statements. In 2019, an amount of € 31 million of impairment losses on financial assets is recognised in profit and loss (2018: € 0 million).

14.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments – The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. The Company's financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Group. Please refer to section 37.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

The Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IFRS 9 "Financial Instruments") into classes based on their category in the statement of financial position.

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

			Financial assets and liabilities at amortised cost		**Financial instruments total**	
(In € million)	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and long-term financial assets						
Equity instruments	1,094	0	0	0	1,094	1,094
Loans	0	0	1,838	1,895	1,838	1,895
Trade receivables	0	0	32	32	32	32
Other financial assets						
Derivative instruments	4,843	0	0	0	4,843	4,843
Current account Airbus companies	0	0	8,574	8,574	8,574	8,574
Securities	0	13,066	0	0	13,066	13,066
Cash and cash equivalents	7,014	652	463	463	8,129	8,129
Total	**12,951**	**13,718**	**10,907**	**10,964**	**37,576**	**37,633**
Liabilities						
Financing liabilities						
Issued bonds and commercial papers	0	0	2,435	2,517	2,435	2,517
Liabilities to financial institutions and others	0	0	89	90	89	90
Internal loans payable	0	0	4,056	4,180	4,056	4,180
Other financial liabilities						
Derivative instruments	4,691	0	0	0	4,691	4,691
Current accounts Airbus companies	0	0	32,510	32,510	32,510	32,510
Total	**4,691**	**0**	**39,090**	**39,297**	**43,781**	**43,988**

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

			Financial assets and liabilities at amortised cost		Financial instruments total	
(In € million)	Fair value through profit or loss	Fair value through OCI	Amortised cost	Fair value	Book value	Fair value
Assets						
Other investments and long-term financial assets						
Equity instruments	1,171	0	0	0	1,171	1,171
Loans	0	0	1,708	1,739	1,708	1,739
Trade receivables	0	0	165	165	165	165
Other financial assets						
Derivative instruments	3,794	0	0	0	3,794	3,794
Current account Airbus companies	0	0	8,013	8,013	8,013	8,013
Securities	338	12,208	0	0	12,546	12,546
Cash and cash equivalents	6,576	984	326	326	7,886	7,887
Total	**11,879**	**13,192**	**10,212**	**10,243**	**35,283**	**35,315**
Liabilities						
Financing liabilities						
Issued bonds and commercial papers	0	0	2,813	2,832	2,813	2,832
Liabilities to financial institutions and others	0	0	87	88	87	88
Internal loans payable	0	0	3,846	3,950	3,846	3,950
Other financial liabilities						
Derivative instruments	3,921	0	0	0	3,921	3,921
Current accounts Airbus companies	0	0	30,175	30,175	30,175	30,175
Total	**3,921**	**0**	**36,922**	**37,045**	**40,842**	**40,966**

Fair Value Hierarchy

For further details please refer to Note 37.2 “Carrying Amounts and Fair Values of Financial Instruments” in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

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

	31 December 2019			31 December 2018		
(In € million)	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,094	0	1,094	1,171	0	1,171
Derivative instruments	0	4,843	4,843	0	3,794	3,794
Securities	13,066	0	13,066	12,546	0	12,546
Cash equivalents	7,014	652	7,666	6,577	984	7,561
Total	**21,174**	**5,495**	**26,669**	**20,294**	**4,778**	**25,072**
Financial liabilities measured at fair value	0	0	0	0	0	0
Derivative instruments	0	(4,691)	(4,691)	0	(3,921)	(3,921)
Other financial liabilities	0	0	0	0	0	0
Total	**0**	**(4,691)**	**(4,691)**	**0**	**(3,921)**	**(3,921)**

Financial Assets Designated at Fair Value through Profit or Loss

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

(In € million)	Nominal amount at initial recognition at 31 December 2019	Nominal amount at initial recognition at 31 December 2018
Designated at fair value through profit or loss at recognition:		
Money market funds (accumulating)	7,014	6,577
Securities	0	338
Total	**7,014**	**6,915**

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

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

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2019 and 31 December 2018, respectively:

				Related amounts not set off in the statement of financial position		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2019						
Financial assets	4,538	0	4,538	(1,480)	0	3,058
Financial liabilities	4,295	0	4,295	(1,480)	0	2,815
31 December 2018						
Financial assets	3,799	0	3,799	(879)	0	2,920
Financial liabilities	3,829	0	3,829	(879)	0	2,950

14.4 Notional Amounts of Derivative Financial Instruments

The notional amount of **interest rate contracts** are as follows, specified by year of expected maturity:

	Remaining period								
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	>7 years	Total
31 December 2019									
Interest rate contracts	0	0	0	890	1,000	0	600	2,735	**5,225**
Interest rate future contracts	0	0	0	0	0	0	0	0	**0**
31 December 2018									
Interest rate contracts	0	0	0	0	1,048	1,000	600	1,200	**3,848**
Interest rate future contracts	215	0	0	0	0	0	0	0	**215**

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

	Remaining period					
(In € million)	1 year	2 years	3 years	4 years	>4 years	Total
31 December 2019	37	32	23	9	0	**101**
31 December 2018	49	37	27	9	0	**122**

14.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the amounts relating to items designated as hedging instruments and hedge ineffectiveness as of 31 December 2019 under IFRS 9:

	December			
	2019		2018	
	Carrying values		Carrying values	
(In € million)	Asset	Liability	Asset	Liability
Foreign currency risk				
Net forward sales contracts	0	0	0	0
Foreign exchange options	0	0	0	0
Interest rate risk	236	0	66	95
Commodity swap risk	0	0	0	0
Equity swap risk	0	0	0	0
Total	**236**	**0**	**66**	**95**

14.6 Net Gains or Net Losses

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

	December	
(In € million)	**2019**	2018
Financial assets or financial liabilities at fair value through profit or loss		
Held for trading	(144)	(51)
Designated on initial recognition	(18)	(39)
Financial assets at amortised cost	69	35
Financial assets at fair value through OCI	26	68
Financial assets at fair value through profit or loss	(81)	(42)
Financial liabilities measured at amortised cost	7	(10)
Total	**(141)**	**(39)**

4.5 Other Notes

15. Audit Fees

Fees related to professional services rendered by the Company's auditor, Ernst & Young Accountants LLP, for the fiscal year 2019 were € 1,505 thousand (in 2018: € 680 thousand). These fees relate to audit services only.

16. Events after the Reporting Date

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

The UK formally exited the EU on 31 January 2020. From 1 February, both parties enter the "transition period" during which the EU and UK will negotiate additional relationship arrangements. The transition period runs until 31 December 2020.

Chapter

5

5

Other Supplementary Information Including the Independent Auditor's Report

Other Supplementary Information

1. Appropriation of Result

Articles 30 and 31 of the Articles of Association provide that the Board of Directors shall determine which part of the result shall be attributed to the reserves. The General Meeting of Shareholders may dispose of a reserve only upon a proposal of the Board of Directors and to the extent it is permitted by law and the Articles of Association. Dividends may only be paid after adoption of the annual accounts from which it appears that the shareholders' equity of the Company is more than the amount of the issued and paid-in part of the capital increased by the reserves that must be maintained by law.

It will be proposed at the Annual General Meeting of Shareholders that the Loss for the period of €3,665 million as shown in the income statements for the financial year 2019 is to be added to retained earnings and that a payment of a gross amount of € 1.80 per share shall be made to the shareholders out of retained earnings.

2. Independent Auditor's Report

To: the General Meeting of Shareholders of Airbus SE

Report on the Audit of the Financial Statements 2019 included in the Annual Report

Our Opinion

We have audited the financial statements 2019 of Airbus SE (the Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Airbus SE as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:
- the consolidated and Company statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated and Company income statement, the consolidated and Company Statements of Comprehensive Income, changes in equity and cash flows;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our Opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Airbus SE in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "*Wet toezicht accountantsorganisaties*" (Wta, Audit firms supervision act), the "*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "*Verordening gedrags- en beroepsregels accountants*" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Audit Approach

Our Understanding of the Business

The Company is a global leader in aeronautics, space and related services. The Company is structured in segments and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We refer to the key audit matters for those areas.

We start by determining materiality and by identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 347 million (2018: € 292 million)
Benchmark applied	5% of the EBIT Adjusted [as defined in chapter 5 of the report of the Board of Directors]
Explanation	We consider EBIT Adjusted as the most appropriate benchmark as it best aligns with the expectations of those charged with governance at Airbus and of users of the Company's financial statements.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Board of Directors ("the Audit Committee") that misstatements in excess of € 15 million that are identified during the audit would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our Focus on Fraud and Non-Compliance with Laws and Regulations

Our Responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit Response Related to Fraud Risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control *per se* for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, Directors (including internal audit, legal, compliance, human resources and regional Directors) and the Ethics and Compliance Committee. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists. As the Company is a global company, operating in multiple jurisdictions, we considered the risk of bribery and corruption. We refer to our Key Audit Matters for more details.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgement areas and significant accounting estimates as disclosed in Note 3 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we re-evaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our Audit Response Related to Risks of Non-Compliance with Laws and Regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. We refer to our Key Audit Matters for more details.

Going Concern

In order to identify and assess the risks of going concern and to conclude on the on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the Group Audit

Airbus SE is at the head of a group of entities. The financial information of this group is included in the Consolidated Financial Statements of Airbus SE.

The entities are grouped into three business segments: Airbus, Airbus Helicopters and Airbus Defence and Space. The audit of the three segments is performed jointly by EY and KPMG. The audit of the entities in scope is performed by either EY or KPMG network firms.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit focused mainly on significant group entities where they are of significant size, have significant risks to the Company associated with them or are considered for other reasons.

In total our audit procedures represent 92% of total consolidated revenue and 88% of total consolidated assets. The remaining 8% of revenues, and 12% of total assets result from entities, none of which individually represents more than 1% of revenues. For those entities, we performed, amongst others, analytical procedures to corroborate our assessment that the financial statements are free from material misstatements.

We executed an audit plan that includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), reviewing and discussing the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its business segments. In our audit instructions, we also included targeted audit procedures that address the A220, A350, A380, A400M programmes as well as the risk of non-compliance with laws and regulations. We furthermore executed file reviews at EY network teams and KPMG. We involved several EY specialists to assist the audit team, including specialists from our tax, actuarial, treasury and compliance departments.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the Company's financial information to provide an opinion about the Consolidated Financial Statements.

General Audit Procedures

Our audit further included among others:
– performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion;
– evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
– evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
– evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

This year the settlement agreements reached with the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO) and the US Department of Justice (DoJ) and U.S. Department of State (DoS) were considered as a separate key audit matter considering the significance of the settlements and the importance of appropriate disclosure of rights and obligations in the financial statements regarding these settlements.

The key audit matter "The acquisition of CSALP" which was included in our last year's auditor's report, is not considered a key audit matter for this year as it related to a one off transaction.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Settlement agreements reached with PNF, SFO, DoJ and DoS

(Reference is made to the disclosures on Note 38 "Litigations and Claims" and Note 40 "Events after the Reporting Date" of the financial statements)

Risk	Since 2016, the Company was under investigation by the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO), the US Department of Justice (DoJ) and the U.S. Department of State (DoS) for, amongst others, alleged irregularities concerning third party consultants. The Company reported since then in its financial statements that the outcome of these investigations could have a material effect on the Company's financial position. In January 2020, the Company has reached final agreements with the French Parquet National Financier (PNF), the UK Serious Fraud Office (SFO) and the US Department of Justice (DoJ) resolving the authorities' investigations into allegations of bribery and corruption, as well as with the U.S. Department of State (DoS) and the DoJ to resolve their investigations into inaccurate and misleading filings made with the DoS pursuant to the U.S. International Traffic in Arms Regulations (ITAR). Under the Agreements, the Company agreed to pay penalties of €3,598 million, and to comply with certain obligations including monitoring of its anti-corruption and export control programmes for a period of three years. Prosecution will be discontinued if the Company complies with the terms of the agreement throughout this period, which it has committed to doing. Considering the significance of the settlements and the appropriate disclosure of rights and obligations in the financial statements regarding the settlements, we considered this as a key audit matter.
Our audit approach	We have inspected the settlement agreements between the Company, PNF, SFO, DoJ and DoS and have discussed the Agreements with management, Audit Committee and the internal and external lawyers. We assessed whether the financial consequences as set out in the settlement agreements are appropriately accounted for and disclosed in the financial statements.

Litigation and claims and risk of non-compliance with laws and regulations

(Reference is made to the disclosures on Note 3 "Key Estimates and Judgements", Note 24 "Provisions, Contingent Assets and Contingent Liabilities" and Note 38 "Litigations and Claims" of the financial statements)

Risk	Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Company's result and its financial position. A part of the Company's business is characterised by competition for individually significant contracts with customers which are often directly or indirectly associated with Governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and regulations. In addition, the Company operates in a number of territories where the use of commercial intermediaries is normal practice. Certain entities of the group remain under investigation by various law enforcement agencies for amongst others alleged irregularities concerning third party consultants. Breaches of laws and regulations in these areas can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business.
Our audit approach	We planned and designed our audit approach to this area in conjunction with our in-house forensic specialists. We evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk. We assessed the overall control environment and evaluated and tested the Company's policies, procedures and controls to identify and assess possible non-compliance. Furthermore we tested the selection process of intermediaries, related contractual arrangements, payments to intermediaries and the company's responses to suspected breaches of policy and non-compliance. We made inquiries of the Board of Directors and the Audit Committee, as well as the Company's internal and external legal advisors as to the areas of potential or suspected breaches of law and regulations relating to bribery, including the status of ongoing investigations. To corroborate the results of those inquiries we vouched information received with objective evidence, third parties and we reviewed related documentation. We maintained a high level of vigilance to possible indications of significant non-compliance with laws and regulations relating to bribery and corruption whilst carrying out our other audit procedures. Accompanied by our own legal advisors we met on several occasions with the Company's external counsel to obtain their views about the status of ongoing investigations as well as their potential impact on the financial statements. We furthermore tested journals and other transactions with unusual characteristics using amongst other data-analytics tools. For (threatened) litigation cases and claims, we gained additional assurance by comparing management's position to the assessment from external parties such as external lawyers in those cases where a high amount of judgement is involved. We assessed that the disclosure in the financial statements reflects the current status of the investigations regarding suspected breaches of law or regulations in accordance with accounting standards. We also assessed the appropriateness of the contingent liability disclosure in the financial statements.

Revenue recognition

(Reference is made to the disclosures on Note 2 "Significant Accounting Policies", Note 3 "Key Estimates and Judgements", Note 10 "Segment Information" and Note 11 "Revenue and Gross Margin" of the financial statements)

Risk

The Group revenue recognition is complex due to its wide range of activities (sale of commercial aircraft and helicopters, sale of military aircraft and helicopters, sale of space systems and services), its various types of contracts including non-standard clauses and the duration of some contracts including long-term development activities.

Recognition of revenue includes significant judgement and estimates including whether the contracts contain multiple performance obligations which should be accounted for separately and including the determination of the most appropriate method for revenue recognition of these performance obligations. This comprises the identification of potential variable considerations reducing the consideration received, allocation of this consideration to the different performance obligation and assessing if the performance obligations are satisfied over time or at a point in time. In particular the amount of revenue and profit recognised in a year for performance obligations satisfied at a point in time is dependent on the transfer of control and for performance obligations satisfied over time on the assessment of the stage of completion of performance obligations as well as estimated total revenues and estimated total costs.

Our audit approach

Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to revenue recognition according to IFRS 15 "Revenue from contracts with customers". In addition we evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls related to the completeness, accuracy and timing of the revenue recognised. We selected individual revenue transactions to assess proper identification of the performance obligations in the contracts and allocation of the consideration amongst the performance obligation (such as the A400M contract and space contracts), the completeness and valuation of the variable considerations (including constraints applied, if applicable) included in the transaction price (notably for A400M contract and residual value guarantee in the sale of some commercial aircrafts) and the timing of transfer of control. In order to evaluate the significant judgements and estimates made by management, we read supporting contractual agreements, met with sales representatives and programme teams to understand the nature of the various obligations to be rendered under the contract and discuss specific clauses that could prevent transfer of control (mostly for the sales of commercial aircrafts), obtained evidence of transfer of control such as proof of delivery, examined computation of for progression of costs and assessed the reasonableness of the actual and estimated cost to complete included in the cost-to-cost method for performance obligation recognised over time (notably for A400M development, Tiger and Eurofighter contracts and some border security and space contracts).

Finally we determined that the appropriate disclosures were made in the financial statements.

Estimations with respect to the contract margin for the accounting of onerous contracts and the assessment of the contract margin recognised for the significant over-time contracts.

(Reference is made to the disclosure on Note 2 "Significant Accounting Policies", Note 3 "Key Estimates and Judgements", Note 11 "Revenue and Gross Margin" and Note 24 "Provisions, Contingent Assets and Contingent Liabilities" of the financial statements)

Risk

The Group owns a large portfolio of long-term contracts for which it needs to assess the contract margin in order to record a provision for onerous contract if the margin at completion is expected to be negative and the margin for each performance obligation satisfied over time to record the associated revenue and costs.

Provisions for onerous contracts such as for the A400M are recognised when it becomes probable that the present value of unavoidable costs of fulfilling the obligations under the contract exceeds the present value of economic benefits expected to be received under the contract.

The determination of these contract margins and provisions for onerous contracts is based on available best estimates and requires management's significant judgement and assumptions associated with estimated revue and costs at completion of the programme, the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as key risks such expected outcome from ongoing negotiations with customers, penalties for delay or non-compliance.

Our audit approach

We evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls for accounting for onerous contracts and for the assessment of the contract margin.

We also performed substantive procedures on individually significant programmes, including discussions with the programme team including the Head of Programme. Furthermore we evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs and any provisions for onerous contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, paid specific attention to technical and market developments, including export opportunities, delivery plan and certification schedules.

We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information. For over-time contracts and performance obligations we performed detailed testing of cost incurred and audited the correct application of margin at completion.

Finally we determined that the appropriate disclosures were made in the financial statements.

Recoverability of assets related to significant programmes

(Reference is made to the disclosures on Note 2 "Significant Accounting Policies", Note 19 "Intangible Assets" and Note 20 "Property, Plant and Equipment" of the financial statements)

Risk	Capitalised development costs, intangible assets and jigs and tools relate mainly to the key programmes, such as the A220, A330, A350, A380, A400M, H160 and H175. Estimates of the future cash flows and the appropriate discount rates are necessary to determine if an impairment of assets has to be recognised. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial actions required to correct any performance issue detected. Owing to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments, this is a key audit area. Updates to these provisions can have a significant impact on the Company's result and financial position.
Our audit approach	We evaluated the design and implementation and where considered appropriate tested the operating effectiveness of internal controls for identifying and recording impairments. We also performed substantive audit procedures including inquiry of the programme controller and Head of Programmes and corroboration with other audit evidence. We evaluated the impairment tests performed by testing the integrity of the management's impairment model. We assessed management's assumptions for the discount rate and the determination of the forecasted revenue to be realised, cost to be incurred (including any contractual penalties) and the expected gross margin, including performing sensitivity to evaluate the impact of changing some assumptions such as the discount rate or key business parameters (price, growth rate for instance). Finally we determined that the appropriate disclosures were made in the financial statements.

Valuation of derivative financial instruments

(Reference is made to Note 37 "Information about Financial Instruments" of the financial statements)

Risk	The Company operates in a business environment that is exposed to currency volatility. A significant portion of the Company's revenue is denominated in US dollars, while a major part of its costs is incurred in Euro and, to a lesser extent, in Pounds Sterling. In response to these risks the Company uses financial instruments (mainly currency forwards) to mitigate the exposure to changes in market rates. There is a high inherent risk of error in the Company's Consolidated Financial Statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potentially significant changes in the exchange rate of the US dollar versus the Euro could have a significant impact on the consolidated equity of the Company via the "mark to market" valuation of the hedge portfolio.
Our audit approach	For the audit of the financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio (by sample) and tested the application of the hedge accounting rules and the resulting accounting treatment. In this process we also assessed the delivery profile used as a basis to the hedge accounting effectiveness test. We obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership. Based on a sample of derivative financial instruments we assessed that the valuation of the financial instruments is within a pre-defined tolerable variance threshold and no material exceptions were noted. The results of our procedures relating to management's accounting for derivative financial instruments in the 2019 financial statements were satisfactory and we determined that the appropriate disclosures were made in the financial statements.

5

Report on Other Information included in the Annual Report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
– the Report of the Board of Directors including the remuneration report (we refer to w**ww.airbus.com** for the board report);
– other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
– is consistent with the financial statements and does not contain material misstatements;
– contains the information as required by Part 9 of Book 2 of the Dutch Civil Code and Section 2:135b of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other Legal and Regulatory Requirements

Engagement

We were appointed by the Annual General Meeting of Shareholders as auditor of Airbus SE on 28 April 2016, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited Non-Audit Services

We have not provided prohibited non-audit services as referred to in Article 5 [(1)] of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of Responsibilities for the Financial statements

Responsibilities of the Board of Directors and Audit Committee for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our Responsibilities for the Audit of the Financial Statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the Audit Committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters:

those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 12 February 2020

Ernst & Young Accountants LLP

signed by A.A. van Eimeren

Report of the Board of Directors

(Issued as of 12 February 2020)

Dear Shareholders,

This is the Report of the Board of Directors (the “**Board Report**”) on the activities of Airbus SE (the “**Company**” and together with its subsidiaries “**Airbus**”) during the 2019 financial year, prepared in accordance with Dutch law.

For further information regarding Airbus’ business, finances, risk factors and corporate governance, please refer to the Company’s website: www.airbus.com.

1. General Overview

With consolidated revenues of € 70.5 billion in 2019, Airbus is a global leader in aeronautics, space and related services. Airbus offers the most comprehensive range of passenger airliners. 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. In 2019, it generated approximately 86% of its total revenues in the civil sector and 14% in the defence sector. As of 31 December 2019, Airbus' active headcount was 134,931 employees.

2. Summary 2019

At the start of the year, the Company set itself the following 'Priorities' for 2019, which were shared with all employees:

Shape the future now

- Enforce respect of Airbus **ethics and compliance standards and principles**.
- Pursue digital transformation and lead **breakthroughs across design, manufacturing & services:** Execute **DDMS** (Digital Design, Manufacturing and Services) roadmap.
- Continue to improve the **eco efficiency of Airbus products & services** with incremental developments and **prepare next generation** through innovative and greener technologies.
- **Reduce our industrial environmental footprint.**
- Continue to **optimise our international footprint and regional set-up,** to better serve the business and support industrial efficiency.
- Develop **new skills** that prepare job evolution **and adopt ways of working** that favour collaboration and empowerment.
- Simplify and enhance maturity of the **Airbus Business Management System**.

Customer

- Improve **customer satisfaction** before, at and after delivery, entrusting a global account management role to the Airbus sales teams to ensure timely and accurate customer communication.
- Deliver enhanced **support and increase service offering**.
- **Achieve** sales targets.

People

- **Live up to our values!**
- Make **health & safety** everyone's priority.
- Enable a **Speak Up and Listen culture**.
- Proactively manage and improve **diversity**.

Finance

- Deliver quarterly **EBIT and free cash flow** targets.
- Achieve **RC** (recurring-costs) and **NRC** (non recurring-costs) targets per programme.

Operations

- **Improve operational efficiency and implement end-to-end industrial performance solutions**.
- **Plan and deliver reliably on committed targets at each step of the operational process**.
- Ensure **product safety and quality** through proactive measures and strict adherence to standards and processes
- Meet **critical development milestones**.

2019 was another year of progress, despite some significant operational and macroeconomic challenges. Additionally, the Company met its main key operational targets and took important decisions to further enhance its business portfolio:

- Commercial aircraft deliveries in 2019 reached a new Company and industry record of 863 aircraft to 99 customers, representing the 17^{th} yearly production increase in a row. Deliveries were more than 8% higher than the previous record of 800 set in 2018. Net orders reached 768 commercial aircraft, compared to 747 in 2018, underlining customer endorsements in all market segments and taking Airbus' overall cumulative net orders over the 20,000 mark.
- In October Airbus delivered the 1,000th A320neo Family aircraft to Indian airline IndiGo, the world's biggest customer for the A320neo Family. Almost at the same time, IndiGo placed a firm order for 300 A320neo Family aircraft. This marks one of Airbus' largest aircraft orders ever with a single airline operator.
- Emirates Airline signed a purchase agreement for 50 A350-900s - Airbus' newest generation widebody aircraft. The aircraft features the latest aerodynamic design, a carbon fibre fuselage and wings, plus new fuel-efficient engines. Together, these latest technologies result in 25% lower operating costs, as well as 25% reduction in fuel burn and CO2 emissions compared with previous-generation competing aircraft – demonstrating Airbus' commitment to minimise its environmental impact while remaining at the cutting edge of air travel.
- The Air France–KLM Group firmed up an order for 60 Airbus A220-300 aircraft to modernise its single-aisle fleet. The A220 is the only aircraft purpose-built for the 100-150 seat market. It brings together state-of-the-art aerodynamics, advanced materials and latest-generation geared turbofan engines to offer at least 20% lower fuel burn per seat compared to previous generation aircraft.
- Airbus successfully launched the A321XLR to complement its best-selling A321neo Family. The A321XLR thus becomes the next evolutionary step which responds to market needs for even more range, and creates more value for the airlines by bringing 30% lower fuel burn per seat than previous-generation competitor aircraft. With this added range, airlines will be able to operate a lower-cost single-aisle aircraft on longer and less heavily travelled routes.
- The BelugaXL received its Type Certification from the European Aviation Safety Agency (EASA) paving the way for entry-into-service in early 2020. The aircraft is an integral part of Airbus' industrial system and a key enabler for production ramp-up requirements beyond 2019. The BelugaXL provides 30% extra transport capacity being seven metres longer and one metre wider than its BelugaST predecessor. The aircraft received this stamp of approval following an intensive flight test campaign that saw the BelugaXL complete more than 200 flight tests, clocking over 700 flight hours.
- Airbus Helicopters unveiled a new version of its best-selling H145 light twin-engine helicopter at Heli-Expo 2019 in Atlanta. This latest upgrade brings a new, innovative five-bladed rotor to the multi-mission H145, increasing the useful load of the helicopter by 150 kg while delivering new levels of comfort, simplicity and connectivity. The H145's new five-bladed rotor brings a significant increase in overall performance.
- Airbus Helicopters delivered its 1,000th Super Puma helicopter: a twin-engine multi-role H215 assembled in Marignane, France, and handed over to the German Federal Police (Bundespolizei). This delivery completes the German Federal Police's order for four H215s and increases the German Federal Police's Super Puma fleet to 23, including 19 AS332 L1s, making the police force one of the largest operators of Super Pumas in the world today.
- Airbus Helicopters also delivered the first NH90 Sea Lion naval multi-role helicopter to the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw). The fly-by-wire flight controls of the NH90 Sea Lion reduce the crew's workload thanks to its high precision and ease of use, which particularly come to the fore in over-water hovering, even in poor weather conditions.
- The French Minister of the Armed Forces, Florence Parly, announced that the launch of the Joint Light Helicopter (Hélicoptère Interarmées Léger; HIL) programme has been brought forward to 2021. The HIL programme, for which the Airbus Helicopters' H160 was selected in 2017, was initially scheduled for launch in 2022 by the current military

budget law. Launching the programme earlier will enable delivery of the first H160Ms to the French Armed Forces to be advanced to 2026.

- The prototype of Airbus Helicopters' VSR700 unmanned aerial system performed its first flight at a drone test centre near Aix-en-Provence in the south of France. The VSR700 performed several take-offs and landings on Friday 8th of November with the longest flight lasting around 10 minutes. In accordance with the airworthiness authority that provided the flight clearance, the VSR700 was tethered with 30-metre cables to fully secure the flight test zone.
- The A400M new generation airlifter successfully achieved its first helicopter air-to-air refuelling contacts with an H225M. Over the course of four flights, operated in day conditions, the A400M performed 51 dry contacts marking a decisive milestone towards its full capability as a tanker. The tests, involving no fuel and performed between 1,000 ft and 10,000 ft at flight speeds as low as 105 knots, confirmed the positive results of previous proximity flights conducted at the beginning of 2019.
- The A400M also completed the certification flight test for the simultaneous dispatch of 80 (40+40) equipped paratroopers from both side doors on a single pass. The flight test campaign, performed in the Ger Azet drop zone in southern France during daylight, also successfully completed the certification flight test to support the deployment of 58 paratroopers from one side door, the A400M's maximum dispatch capacity from a single door.
- Dassault Aviation and Airbus SE delivered a joint industrial proposal to the governments of France and Germany for the first Demonstrator Phase of the Future Combat Air System ("**FCAS**"). This next major milestone achievement in the programme was showcased by the reveal of the New Generation Fighter and Remote Carriers models to a world public on the opening day of the 2019 Paris Air Show. This Demonstrator Phase will cover the period between 2019 and mid-2021, and will serve as a starting point for demonstrators and technology development for a New Generation Fighter ("**NGF**"), Remote Carriers ("**RC**") and an Air Combat Cloud (ACC) to fly by 2026.
- A new CIMON for the International Space Station (ISS): CIMON-2 (Crew Interactive MObile companioN) lifted off on its journey into space. Like its predecessor, CIMON-2 will be deployed in the Columbus European research module. CIMON is a free-flying, spherical technology demonstrator for human-machine interaction and features Artificial Intelligence ("**AI**"). Its AI capabilities and the stability of its complex software applications have also been significantly improved. When travelling to the Moon or Mars, the crew would then be able to rely on an AI-based assistance service, even without a permanent data link to Earth.
- Solar Orbiter, the European Space Agency's (ESA) flagship mission to study the Sun, completed all tests ahead of its scheduled launch in 2020. The Solar Orbiter will study the Sun in detail, as well as its effects on the solar system. The spacecraft carries a suite of complementary instruments that will measure the particles, fields and waves of the plasma through which it travels, and at the same time make observations of the Sun's surface and outer atmosphere, the photosphere and corona. Solar Orbiter builds on hugely successful Airbus-built missions, such as SOHO and Ulysses, that have provided remarkable insights into the workings of the Sun. Like those missions, it is a collaboration between ESA and NASA.
- Airbus signed a contract with Inmarsat to design, manufacture and build the first in their next generation of geostationary Ka-band satellites, Inmarsat GX7, 8 & 9. The three satellites are the first to be based on Airbus' new OneSat product line, which is fully reconfigurable in orbit. Airbus' highly innovative OneSat is based on a standard, modular and design-to-manufacture approach, and can be delivered more quickly than existing telecommunications satellites. The 'ready-made' OneSat satellite relies on Airbus' heritage from its highly reliable Eurostar telecommunications satellites plus its experience in mega-constellation manufacturing.
- Airbus officially opened the E-Aircraft Systems House test facility at Airbus's Taufkirchen/Ottobrunn site. The test centre will provide a space to research technologies for alternative propulsion systems and energy sources – such as electric motors for unmanned aerial vehicles, hybrid propulsion systems and hydrogen for combustion or synthetic fuel use. The building, which allows complete systems to be integrated and tested, is the first test centre of its kind worldwide.

- Celebrating 50 years of Airbus, the Foundation created the ‘Humanitarian Challenge’ where employees raised over € 70,000 for IFRC and ACF over 3 months. Through its youth programmes, ‘Flying Challenge’ and ‘Little Engineer’ 8,137 young people were inspired through the world of aerospace and the Discovery Space digital platform has achieved 255,000 content views since launching in 2018. In a complex humanitarian operation, the Foundation coordinated the use of an A330Neo test aircraft to transport 38 firemen and 12T of equipment to Bolivia to support firefighting efforts in the Amazonian rainforest. Airbus Helicopters fitted with specialist equipment also dropped 500T of water on affected areas. The A330Neo then travelled onwards to the Bahamas delivering 32T of goods for the IFRC to help disaster relief efforts after the devastation caused by hurricane Dorian.

3. Share Capital and Stock Price Evolution

3.1 Shareholding and voting rights

Issued share capital

As of 31 December 2019, the Company's issued share capital amounted to € 783,173,115 divided into 783,173,115 shares of a nominal value of € 1 each. The issued share capital of the Company as of such date represents 26.11% of the authorised share capital of € 3 billion comprising three billion shares. The holder of one issued share has one vote and is entitled to profit in proportion to his/her participation in the issued share capital[1].

Modification of share capital or rights attached to shares

The shareholders' meeting has the power to authorise the issuance of shares. The shareholders' meeting may also authorise the Board of Directors, for a period of no more than five years, to issue shares and to determine the terms and conditions of share issuances.

Holders of shares have a pre-emptive right to subscribe for any newly issued shares in proportion to the aggregate nominal value of shares held by them, except for: (i) shares issued for consideration other than cash, (ii) shares issued to employees of Airbus and (iii) shares issued pursuant to a previously granted right to subscribe for those shares. For the contractual position as to pre-emption rights, see "- 3.2: Relationship with Principal Shareholders".

The shareholders' meeting also has the power to limit or to exclude pre-emption rights in connection with new issuances of shares, and may authorise the Board of Directors, for a period of no more than five years, to limit or to exclude pre-emption rights. All resolutions in this context must be approved by a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at said meeting.

However, the articles of association of the Company ("**Articles of Association**") provide that the shareholders' meeting is not authorised to pass any shareholders' resolution to issue shares or to grant rights to subscribe for shares if the aggregate issue price is in excess of € 500 million, per share issuance, and no preferential subscription rights exist in respect thereof (by virtue of Dutch law, or because they have been excluded by the competent corporate body). The same limitation applies if the shareholders' meeting wishes to designate the Board of Directors to have the authority to resolve on such share issuance or granting of rights. These limitations in the Articles of Association can only be changed by the shareholders' meeting with a 75% voting majority.

Pursuant to the shareholders' resolutions adopted at the Annual General Meeting ("**AGM**") held on 10 April 2019, the powers to issue shares and to grant rights to subscribe for shares and to limit or exclude preferential subscription rights for existing shareholders have been delegated to the Board of Directors for the purpose of:

1. employee share ownership plans and share-related long-term incentive plans, provided that such powers shall be limited to 0.14% of the Company's authorised share capital; and
2. funding the Company and any of its subsidiaries, provided that such powers shall be limited to 0.3% of the Company's authorised share capital.

Such powers have been granted for a period expiring at the AGM to be held in 2020, and shall not extend to issuing shares or granting rights to subscribe for shares if: (i) there is no preferential subscription right (by virtue of Dutch law, or because it has been excluded by means of a resolution of the competent corporate body) and (ii) it concerns an aggregate issue price in excess of € 500 million per share issuance.

1 Except for the shares held by the Company itself and subject to certain other exceptions under Dutch law.

At the AGM held on 10 April 2019, the Board of Directors was authorised for a period of 18 months from the date of such AGM to repurchase shares of the Company, by any means, including derivative products, on any stock exchange or otherwise, as long as, upon such repurchase, the Company would not hold more than 10% of the Company's issued share capital and at a price per share not less than the nominal value and not more than the higher of the price of the independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

The shareholders' meeting may reduce the issued share capital by cancellation of shares or by reducing the nominal value of the shares by means of an amendment to the Articles of Association. The cancellation of shares requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting in the case where less than half of the capital issued is present or represented at the meeting; the reduction of nominal value by means of an amendment to the Articles of Association requires the approval of a two-thirds majority of the votes cast during the shareholders' meeting (unless the amendment to the Articles of Association also concerns an amendment which under the Articles of Association requires a 75% voting majority).

At the AGM held on 10 April 2019, the Board of Directors and the Chief Executive Officer ("**CEO**") were authorised, with powers of substitution, to implement a cancellation of shares held or repurchased by the Company, including the authorisation to establish the exact number of the relevant shares thus repurchased to be cancelled.

Securities granting access to the Company's capital

The convertible bonds (See "Notes to the IFRS Consolidated Financial Statements — Note 36.3: Financing Liabilities") were redeemed by the Company on 30 December 2019, whereby certain bond holders exercised their conversion right connected to the convertible bonds and consequently received newly issued shares in the Company in December 2019. There are no further securities that give access, immediately or over time, to the share capital of the Company.

The table below shows the total dilution that occurred following the exercise by certain bond holders of their conversion right under the convertible bonds as of 31 December 2019:

	Number of shares	Percentage of diluted capital	Number of voting rights	Percentage of diluted voting rights
Total number of the Company's shares issued prior to exercise of convertible bonds	778,152,173	99.359%	777,452,713	99.358%
Total number of the Company's shares which were issued following exercise of the convertible bonds	5,020,942	0.641%	5,020,942	0.642%
Total share capital of the Company as of 31 December 2019	783,173,115	100%	782,310,505	100%

Changes in the issued share capital in 2019

In the course of 2019, a total number of 6,805,234 new shares were issued, of which 1,784,292 were issued in the framework of the 2019 Employee Share Ownership Plan ("**ESOP**") and, as set forth above, 5,020,942 were issued in connection with the exercise by certain bond holders of their conversion right.

Repurchases and cancellations of shares in 2019

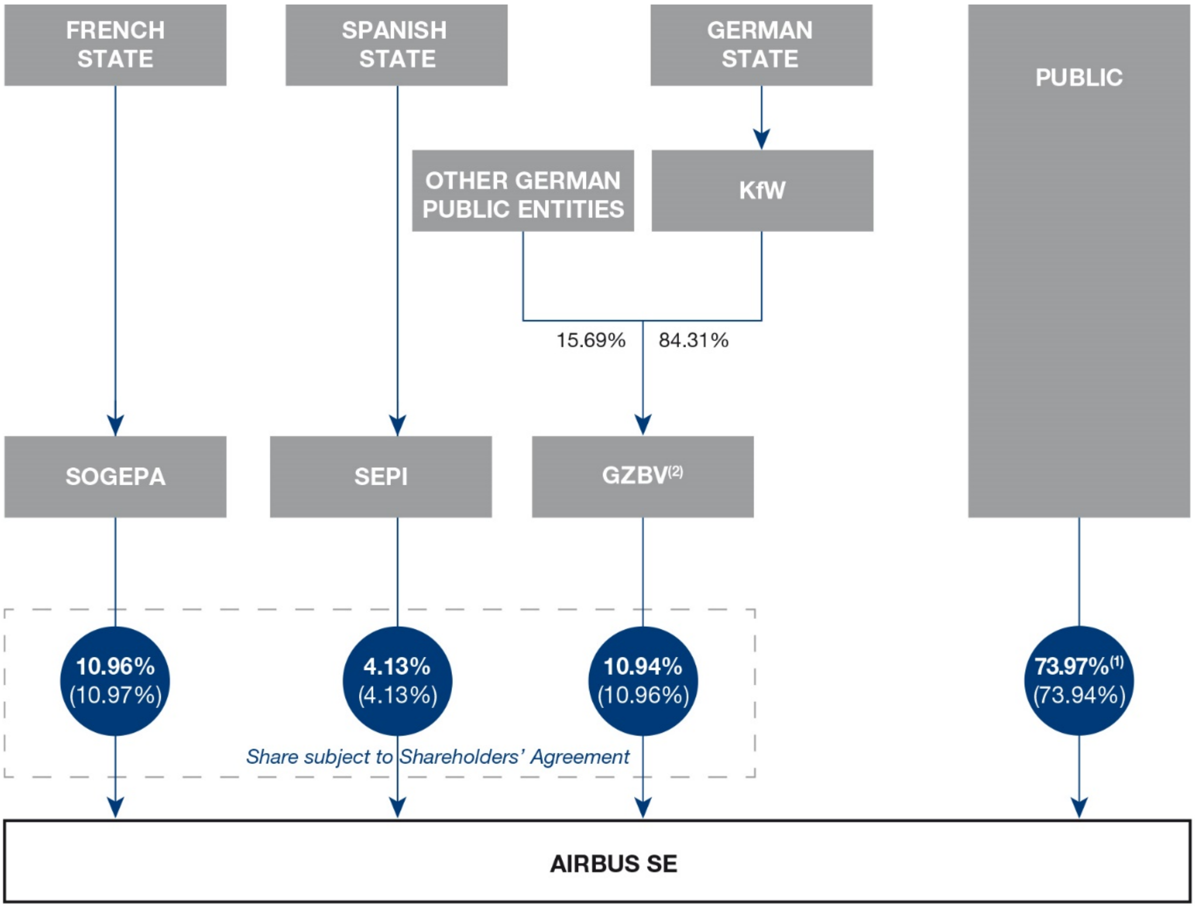
During 2019 (i) the Company repurchased 266,000 shares and (ii) none of the treasury shares were cancelled. As of 31 December 2019, the Company held 862,610 treasury shares.

Shareholding structure at the end of 2019

As of 31 December 2019, the French State held 10.96% of the outstanding Company shares through Société de Gestion de Participations Aéronautiques ("**Sogepa**"), the German State held 10.94% through Gesellschaft zur

Beteiligungsverwaltung GZBV mbH & Co. KG ("**GZBV**"), and the Spanish State held 4.13% through Sociedad Estatal de Participaciones Industriales ("**SEPI**"). The public (including Airbus' employees) and the Company held, respectively, 73.86% and 0.11% of the Company's share capital.

The diagram below shows the ownership structure of the Company as of 31 December 2019 (% of capital and of voting rights (in parentheses)).



(1) Including shares held by the Company itself (0.11%).
(2) KfW & other German public entities.

Shareholders may have disclosure obligations under Dutch law. These apply to any person or entity that acquires, holds or disposes of an interest in the Company's voting rights and/or capital. Disclosure is required when the percentage of (actual or deemed) voting rights, capital interest or gross short position reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% or 95% (whether because of an acquisition or disposal of shares or other instruments, or because of a change in the total voting rights or capital issued). Disclosures must be made to the Netherlands Authority for the Financial Markets ("**AFM**") immediately. Additional disclosure and/or publication obligations apply under European regulations for net short positions in respect of the Company.

In 2019, no entities have notified the AFM of a substantial interest in the Company. For further details, please refer to the website of the AFM at: **www.afm.nl**

Right to attend shareholders' meetings

Each holder of one or more shares may attend shareholders' meetings, either in person or by written proxy, speak and vote according to the Articles of Association. However, under (and subject to the terms of) the Articles of Association, these rights may be suspended under certain circumstances. A shareholder, or another person who has the right to attend a shareholders' meeting, can be represented by more than one proxy holder, provided that only one proxy holder can exercise the rights attached to each share.

The persons who have the right to attend and vote at shareholders' meetings are those who are on record in a register designated for that purpose by the Board of Directors on the 28th day prior to the day of the shareholders' meeting (the "**Registration Date**"), irrespective of who may be entitled to the shares at the time of that meeting.

As a prerequisite to attending the shareholders' meeting and to casting votes, the Company, or alternatively an entity or person so designated by the Company, should be notified in writing by each holder of one or more shares and those who derive the aforementioned rights from these shares, not earlier than the Registration Date, of the intention to attend the meeting in accordance with the relevant convening notice.

Shareholders holding their Company shares through Euroclear France S.A. who wish to attend general meetings will have to request from their financial intermediary or accountholder an admission card and be given a proxy to this effect from Euroclear France S.A. in accordance with the relevant convening notice. For this purpose, a shareholder will also be able to request that its shares be registered directly (and not through Euroclear France S.A.) in the register of the Company. However, only shares registered in the name of Euroclear France S.A. may be traded on stock exchanges.

In order to exercise their voting rights, the shareholders will also be able, by contacting their financial intermediary or accountholder, to give their voting instructions to Euroclear France or to any other person designated for this purpose, as specified in the relevant convening notice.

Pursuant to its Articles of Association, the Company may provide for electronic means of attendance, speaking and voting at the shareholders' meetings in such circumstances, and subject to such conditions as determined by the Board of Directors.

Notification Requirements and Mandatory Disposal Threshold Restricting Ownership to 15%

Under the Articles of Association, each shareholder must notify the Company when it (or another party in respect of its interest in the Company) must make a notification to the AFM of a substantial interest or short position with respect to the Company, when its interest (alone or with concert parties) reaches or crosses the Mandatory Disposal Threshold (as defined below) or, subject to certain conditions and exemptions, when changes occur in the composition, nature and/or size of any interest held by it or by its concert parties in excess of the Mandatory Disposal Threshold (as defined below). Failure to comply with these obligations may, subject to a prior notification by the Company, result in the suspension of voting and attendance rights until the shareholder has complied with its obligations.

The Articles of Association prohibit any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (the "**Mandatory Disposal Threshold**"). An interest ("**Interest**") includes not only shares and voting rights, but also other instruments that cause shares or voting rights to be deemed to be at someone's disposal pursuant to the Dutch Financial Supervision Act, and must be notified to the Dutch regulator, the AFM, if certain thresholds are reached or crossed. Any shareholder having an interest of more than the Mandatory Disposal Threshold must reduce its interest below the Mandatory Disposal Threshold, for instance by disposing of its Excess Shares, within two weeks after such notification by the Company. Upon receipt of such notification, the voting, attendance and dividend rights attached to the Excess Shares shall be suspended. The same applies to concerts of shareholders and other persons who together hold an interest exceeding the Mandatory Disposal Threshold. Should such shareholder or concert not comply with not exceeding the 15% Mandatory Disposal Threshold by the end of such two-week period, the voting, attendance and dividend rights attached to all shares held by such shareholder or concert shall be suspended, and their Excess Shares would be transferred to a Dutch law foundation ("*Stichting*"), which can, and eventually must, dispose of them. The suspension of shareholder rights described above shall be lifted once a shareholder or concert complies with its obligations under the Articles of Association.

The Dutch law foundation would issue depositary receipts to the relevant shareholder in return for the Excess Shares transferred to the foundation, which would entitle the relevant shareholder to the economic rights, but not the voting rights, attached to such Company shares. The foundation's Articles of Association and the terms of administration governing the relationship between the foundation and the depositary receipt holders provide, *inter alia*, that:

- the Board Members of the foundation must be independent from the Company, any grandfathered persons and their affiliates (see "- 3.1: Exemptions from Mandatory Disposal Threshold") and any holder of depositary receipts and their affiliates (there is an agreement under which the Company will, inter alia, cover the foundation's expenses and indemnify the Board Members against liability);
- the Board Members are appointed (except for the initial Board Members who were appointed at incorporation) and dismissed by the Management Board of the foundation (the Company may however appoint one Board Member in a situation where there are no foundation Board Members);
- the foundation has no discretion as to the exercise of voting rights attached to any of the Company's shares held by it and will in a mechanical manner vote to reflect the outcome of the votes cast (or not cast) by the other shareholders, and the foundation will distribute any dividends or other distributions it receives from the Company to the holders of depositary receipts; and
- no transfer of a depositary receipt can be made without the prior written approval of the foundation's Board.

For any shareholder or concert, the term "**Excess Shares**", as used above, refers to such number of shares comprised in the interest of such shareholder or concert exceeding the Mandatory Disposal Threshold which is the lesser of: (i) the shares held by such shareholder or concert which represent a percentage of the Company's issued share capital that is equal to the percentage with which the foregoing interest exceeds the Mandatory Disposal Threshold; and (ii) all shares held by such person or concert.

This restriction is included in the Articles of Association to reflect the Company's further normalised governance going forward, aiming at a substantial increase of the free float and to safeguard the interests of the Company and its stakeholders (including all its shareholders), by limiting the possibilities of influence above the level of the Mandatory Disposal Threshold or takeovers other than a public takeover offer resulting in a minimum acceptance of 80% of the share capital referred to below.

Exemptions from Mandatory Disposal Threshold

The restrictions pursuant to the Mandatory Disposal Threshold under the Articles of Association do not apply to a person who has made a public offer with at least an 80% acceptance (including any Company shares already held by such person). These restrictions also have certain grandfathering exemptions for the benefit of shareholders and concerts holding interests exceeding the Mandatory Disposal Threshold on 2 April 2013 (the "**Exemption Date**"), which is the date of first implementation of the Mandatory Disposal Threshold.

Different grandfathering regimes apply to such shareholders and concerts, depending on the interests and the nature thereof held by each such shareholder or concert on the Exemption Date.

The Company has confirmed that: (i) the specific exemption in article 16.1.b of the Articles of Association applies to Sogepa, as it held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date; and (ii) the specific exemption in article 16.1.c of the Articles of Association applies to the concert among Sogepa, GZBV and SEPI, as they held more than 15% of the outstanding Company's voting rights and shares including the legal and economic ownership thereof on the Exemption Date.

Mandatory public offer under Dutch law

In accordance with Dutch law, shareholders are required to make a public offer for all issued and outstanding shares in the Company's share capital if they – individually or acting in concert (as such terms are defined under Dutch law summarised below), directly or indirectly – have 30% or more of the voting rights (significant control) in the Company. In addition to the other available exemptions that are provided under Dutch law, the requirement to make a public offer does not apply to persons, who at the time the takeover provisions under Dutch law came into force, already held –

individually or acting in concert – 30% or more of the voting rights in the Company. In the case of such a concert, a new member of the concert can be exempted if it satisfies certain conditions.

Amendments to the Articles of Association

According to the Articles of Association, resolutions to amend the Articles of Association require a two-thirds majority of the votes validly cast at a general meeting of shareholders, unless they concern amendments to a limited number of provisions thereof, in which case a 75% voting majority will be required. The proposal containing the literal text of a proposed amendment must be available for inspection by shareholders at the Company's headquarters, from the day the meeting is convened until after the end of the meeting.

3.2 Relationship with Principal Shareholders

In 2013, GZBV, a subsidiary of Kreditanstalt für Wiederaufbau ("**KfW**"), a public law institution serving domestic and international policy objectives of the Government of the Federal Republic of Germany, Sogepa and SEPI, entered into a shareholders' agreement (the "**Shareholders' Agreement**"). The Shareholders' Agreement, further details of which are set out in more detail below, does not give the parties to it any rights to designate Members of the Board of Directors or management team or to participate in the governance of the Company. The Company has also entered into state security agreements with each of the French State and German State, which are also described in more detail below.

3.2.1 CORPORATE GOVERNANCE ARRANGEMENTS

Corporate governance arrangements of the Company were substantially changed in 2013, resulting in changes in the composition of the Board of Directors and its internal rules, as well as amendments to the Articles of Association of the Company. These changes were intended to further normalise and simplify the Company's corporate governance, reflecting an emphasis on best corporate governance practices and the absence of a controlling shareholder group. Changes to the Company's corporate governance arrangements in the Articles of Association, included: (i) disclosure obligations for shareholders that apply when their interests in the Company reach or cross certain thresholds and (ii) ownership restrictions prohibiting any shareholder from holding an interest of more than 15% of the share capital or voting rights of the Company, acting alone or in concert with others (see "- 3.1: Exemptions from Mandatory Disposal Threshold").

3.2.2 SHAREHOLDER ARRANGEMENTS

Grandfathering Agreement

The French State, Sogepa, the German State, KfW and GZBV (all parties together the "**Parties**" and each, individually, as a "**Party**") entered into an agreement with respect to certain grandfathering rights under the Articles of Association. Below is a summary of such agreement.

Individual Grandfathering Rights

A Party that is individually grandfathered pursuant to Article 16.1.b of the Articles of Association (such Party holding "**Individual Grandfathering Rights**") shall remain individually grandfathered in accordance with the Articles of Association if the concert with respect to the Company (the "**Concert**") is subsequently terminated (for instance by terminating the Shareholders' Agreement) or if it exits the Concert.

Loss of Individual Grandfathering Rights

A Party holding Individual Grandfathering Rights as well as any of its affiliates who are grandfathered pursuant to Article 16.1.b in conjunction with Article 16.3 of the Articles of Association (such affiliates holding "**Derived Grandfathering

Rights", and the Individual Grandfathering Rights and the Derived Grandfathering Rights, together, the "**Grandfathering Rights**") shall all no longer be entitled to exercise their Grandfathering Rights in the event:

- the Concert is terminated as a result of it or any of its affiliates having actually or constructively terminated such Concert; or
- it or its relevant affiliate(s) exit(s) the Concert,

and such termination or exit is not for good cause and is not based on material and ongoing violations of the Concert arrangements, including, without limitation, of the Shareholders' Agreement, by the other principal Member of the Concert.

In the event that in the future the voting rights in the Company of the other principal Member of the Concert, together with those of its affiliates, would for an uninterrupted period of three months represent less than 3% of the outstanding aggregate voting rights of the Company, the Grandfathering Rights of the Party, including its affiliates which were no longer entitled to use their Grandfathering Rights, shall from then on revive and Sogepa and GZBV shall jointly notify the Company to that effect.

Notification to the Company

The Company will not be required to take any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement unless and until it receives: (i) a joint written instruction from Sogepa and GZBV with respect to the taking of any of the actions provided for in Article 15 of the Articles of Association pursuant to the post-Concert Grandfathering Agreement, or (ii) a copy of a binding advice rendered by three independent, impartial and neutral Expert Adjudicators in order to settle any dispute between the Parties arising out of or in connection with the post-Concert Grandfathering Agreement.

The Company will not incur any liability to any of the Parties by taking such actions following receipt of any such joint instruction or binding advice and the Company will not be required to interpret the post-Concert Grandfathering Agreement or any such joint instruction or binding advice. Notwithstanding the description under "Various provisions – Jurisdiction" below, the courts of the Netherlands will have exclusive jurisdiction to resolve any dispute, controversy or claim affecting the rights or obligations of the Company under the post-Concert Grandfathering Agreement.

Various provisions

Termination. The post-Concert Grandfathering Agreement terminates only if either the French State and its affiliates or the German State and its affiliates no longer hold shares in the Company.

Governing law. Laws of the Netherlands.

Jurisdiction. The courts of the Netherlands shall have exclusive jurisdiction. This is binding advice for any dispute, controversy or claim arising out of or in connection with the post-Concert Grandfathering Agreement, in accordance with the procedure set forth in the post-Concert Grandfathering Agreement; provided, however, that application to the courts is permitted to resolve any such dispute controversy or claim.

Governance of the Company

Below is a further description of the Shareholders' Agreement, based solely on a written summary of the main provisions of the Shareholders' Agreement that has been provided to the Company by Sogepa, GZBV and SEPI (all parties together the "**Shareholders**").

Appointment of the Directors: The Shareholders shall vote in favour of any draft resolution relating to the appointment of Directors submitted to the shareholders' meeting of the Company in accordance with the terms and conditions of the German State Security Agreement and the French State Security Agreement (as described below). If, for whatever reason, any person to be appointed as a Director pursuant to the German State Security Agreement or the French State Security Agreement is not nominated, the Shareholders shall use their best endeavours so that such person is appointed as a Director. Sogepa and GZBV shall support the appointment of one Spanish national that SEPI may present to them as Member of the Board of Directors of the Company, provided such person qualifies as an independent Director pursuant to the conditions set forth in the rules governing the internal affairs of the Board of Directors (the "**Board Rules**"), and shall vote as Shareholders in any Shareholders' meeting in favour of such appointment and against the appointment of any other person for such position. If, for whatever reason, the French State Security Agreement and/or the German State Security Agreement has/have been terminated, KfW or Sogepa, as the case might be, shall propose two persons, and the Shareholders shall exercise their best endeavours so that these persons are appointed as Directors. Directors can be dismissed by the General Meeting at all times.

Modification of the Articles of Association: Sogepa and GZBV shall consult each other on any draft resolution intending to modify the Board Rules and/or the Articles of Association. Unless Sogepa and GZBV agree to vote in favour together of such draft resolution, the Shareholders shall vote against such draft resolution. If Sogepa and GZBV reach a mutual agreement on such draft resolution, the Shareholders shall vote in favour of such draft resolution.

Reserved Matters: With respect to the matters requiring the approval of a Qualified Majority at the Board level ("**Reserved Matters**"), all the Directors shall be free to express their own views. If the implementation of a Reserved Matter would require a decision of the Shareholders' meeting of the Company, Sogepa and GZBV shall consult each other with a view to reaching a common position. Should Sogepa and GZBV fail to reach a common position, Sogepa and GZBV shall remain free to exercise on a discretionary basis their votes.

Prior consultation: Sogepa and GZBV shall consult each other on any draft resolution submitted to the Shareholders' meeting other than related to Reserved Matters and the Board Rules.

Balance of interests

The Shareholders agree to pursue their common objective to seek a balance between themselves and their respective interests in the Company as follows:

- to hold as closely as reasonably possible to 12% of the voting rights for Sogepa, together with any voting rights attributable to Sogepa and/or to the French State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties;
- to hold as closely as reasonably possible to 12% of the voting rights for GZBV, together with any voting rights attributable to GZBV and/or to the German State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties; and
- to hold as closely as reasonably possible to 4% of the voting rights for SEPI, together with any voting rights attributable to SEPI and/or to the Spanish State, pursuant to Dutch takeover rules except for voting rights attributable due to acting in concert with the other parties.

Mandatory Takeover Threshold

The total aggregate voting rights of the Shareholders shall always represent less than 30% of the voting rights of the Company, or less than any other threshold the crossing of which would trigger for any Shareholder a mandatory takeover obligation (the "**MTO Threshold**"). In the event that the total aggregate voting rights of the Shareholders exceed the MTO Threshold, the Shareholders shall take all appropriate actions as soon as reasonably practicable, but in any event within 30 days, to fall below the MTO Threshold.

Transfer of Securities

Permitted transfer. Transfer of securities by any Shareholder to one of its affiliates.

Pre-emption right. Pro rata pre-emption rights of the Shareholders in the event any Shareholder intends to transfer any of its securities to a third party directly or on the market.

Call option right. Call option right for the benefit of the Shareholders in the event that the share capital or the voting rights of any Shareholders cease to be majority owned directly or indirectly by the French State, the German State or the Spanish State as applicable.

Tag-along right. Tag-along right for the benefit of SEPI in the event that Sogepa, the French State or any of their affiliates and any French public entity and GZBV, the German State or any of their affiliates and any public entity propose together to transfer all of their entire voting rights interests.

Various provisions

Termination. The Shareholders' Agreement may cease to apply in respect of one or more Shareholders and/or their affiliates, subject to the occurrence of certain changes in its or their shareholding interest in the Company, or in its or their shareholders.

Governing law. Laws of the Netherlands.

Jurisdiction. Arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce, with the seat of arbitration in The Hague (the Netherlands).

3.2.3 UNDERTAKINGS WITH RESPECT TO CERTAIN INTERESTS OF CERTAIN STAKEHOLDERS

The Company has made certain undertakings and entered into certain agreements in connection with certain interests of its former core shareholders and the German State.

State Security Agreements and Related Undertakings

The Company and the French State have entered into an amendment to the existing convention between the French State and the Company relating to the ballistic missiles business of the Company (as so amended, the "**French State Security Agreement**"). Under the French State Security Agreement, certain sensitive French military assets will be held by a Company subsidiary (the "**French Defence Holding Company**"). At the Consummation, the Company contributed certain sensitive French military assets to the French Defence Holding Company. The French State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the Board of Directors of the French Defence Holding Company (the "**French Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they were Members of the Board. Two of the French Defence Outside Directors are required to also be Members of the Board. French Defence Outside Directors may neither (i) be employees, managers or corporate officers of a company belonging to the Company (although they may be Members of the Board) nor (ii) have material ongoing professional relationships with Airbus.

The Company and the German State have entered into an agreement relating to the protection of essential interests to the German State's security (the "**German State Security Agreement**"). Under the German State Security Agreement, certain sensitive German military assets are held by a Company subsidiary (the "**German Defence Holding Company**"). The German State has the right to approve or disapprove of – but not to propose or appoint – three outside Directors to the supervisory board of the German Defence Holding Company (the "**German Defence Outside Directors**"), at least two of whom must qualify as Independent Directors under the Board Rules if they are Members of the Board. Two of the German Defence Outside Directors are required to also be Members of the Board. The qualifications to serve as a German Defence Outside Director are comparable to those to serve as a French Defence Outside Director, with the additional requirement that a German Defence Outside Director may not be a civil servant. The Company has agreed to negotiate with the Spanish State in order to reach a special security agreement relating to the protection of the essential security interests of the Spanish State.

Dassault Aviation

The Company entered into an agreement with the French State pursuant to which the Company:

- grants the French State a right of first offer in case of the sale of all or part of its shareholding in Dassault Aviation; and
- commits to consult with the French State prior to making any decision at any shareholders' meeting of Dassault Aviation.
- The Company holds approximately 9.89% of Dassault Aviation's share capital and 6.12% of its voting rights. In case of exchange in full of the bonds issued by the Company which are due in 2021, the Company will no longer hold any Dassault Aviation shares or voting rights.

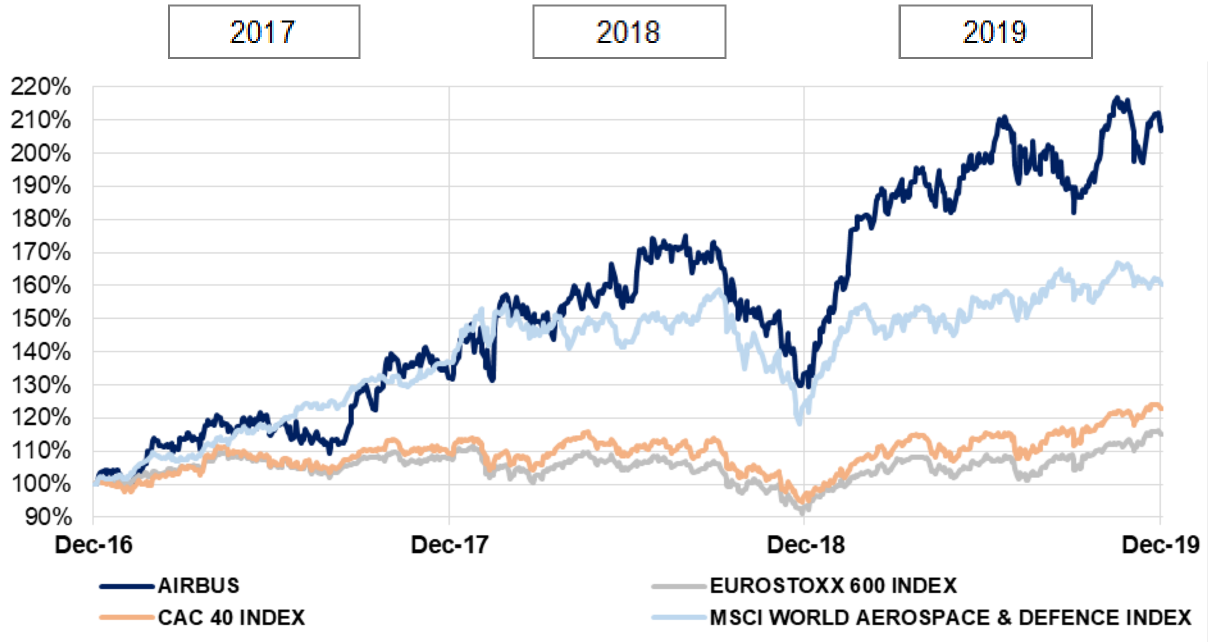
Stock Exchange Listings

The Company has undertaken to the parties to the Shareholders' Agreement that for the duration of the Shareholders' Agreement the Company's shares will remain listed exclusively in France, Germany and Spain.

Specific Rights of the French State

Pursuant to an agreement entered into between the Company and the French State (the "**Ballistic Missiles Agreement**"), the Company has granted to the French State: (a) a veto right and subsequently a call option on the shares of the company performing the ballistic missiles activity exercisable under certain circumstances, including if (i) a third party acquires, directly or indirectly, either alone or in concert, more than 15% or any multiple thereof of the share capital or voting rights of the Company or (ii) the sale of the shares of such companies carrying out such activity is considered and (b) a right to oppose the transfer of any such shares. The Company, the French State and the company performing the ballistic missiles activity are parties to a similar convention regarding the assets comprising the French nuclear airborne systems under which the French State has similar rights.

3.3 Share price performance 2019



In 2019, Airbus' share price increased throughout the year to close at € 130.48, up +55%.

After opening at € 83.86 in January, Airbus' shares climbed by approximately 50% to € 124.80 during the first half of the year. In early 2019, the share price increased as Airbus reached its delivery target and disclosed solid FY18 results reflecting strong operational performance and programme execution in all businesses. Airbus shares continued to increase on better-than-expected underlying Q1 earnings and guidance reiteration as well as positive commercial momentum during the 2019 Paris Air Show with the successful launch of the A321XLR.

The positive trend initially continued in the second half of 2019 driven by strong HY results ahead of market consensus especially on Airbus Commercial reflecting strong deliveries, good execution and A320neo and A350 margins improvement. After the summer, shares were weighed down by some profit-taking and news flow around the WTO report in September. Shares later recovered supported by lower than expected U.S. tariffs. Despite a revised guidance during the 9m earnings disclosure, shares continued to increase in November as investors gained confidence on the underlying profitability in the next years. Shares reached an all-time high of € 136.40 on 15 November. Airbus' shares traded slightly down in December following market concerns around operational challenges continuing into next year.

With an annual increase of +55%, Airbus shares strongly outperformed the Eurostoxx 600 (+23%) and the CAC40 (+26%), as well as most European aerospace peers.

3.4 Dividend policy

In December 2013, Airbus formalised a dividend policy demonstrating a strong commitment to shareholder returns. This policy targets sustainable growth in the dividend within a pay-out ratio of 30%-40%.

The Board of Directors will propose to the Annual General Meeting the payment to shareholders on 22 April 2020 of a dividend of € 1.80 per share (FY 2018: € 1.65). This dividend reflects the positive evolution of the 2019 underlying financial performance and our 2019 cash generation. It highlights our confidence in our future financial performance as well as ongoing commitment towards sustained dividend growth and increasing shareholder returns. The record date should be 21 April 2020. This proposed dividend represents year-on-year dividend per share increase of 9%.

4. Corporate Governance

4.1 Management and Control

4.1.1 COMPOSITION, POWERS AND RULES

Under the Articles of Association, the Board of Directors consists of at most 12 Directors, who each retire at the close of the AGM held three years following their appointment. Under the Board Rules, at least a majority of the Members of the Board of Directors (i.e., 7/12) must be European Union ("**EU**"; any reference in the Board Rules to the EU includes the United Kingdom ("**UK**") and its constituent countries, notwithstanding a withdrawal of the UK from the EU) nationals (including the Chairman of the Board of Directors) and a majority of such majority (i.e., 4/7) must be both EU nationals and residents. No Director may be an active civil servant. The Board of Directors has one Executive Director and 11 non-Executive Directors. While the Board of Directors appoints the CEO, the CEO is required to be an Executive Director and must be an EU national and resident; therefore it is anticipated that the Board of Directors will appoint as CEO the person appointed by the shareholders as an Executive Director. At least nine of the non-Executive Directors must be "Independent Directors" (including the Chairman of the Board of Directors).

Under the Board Rules, an "Independent Director" is a non-Executive Director who is independent within the meaning of the Dutch Corporate Governance Code (the "**Dutch Code**") and meets additional independence standards. Specifically, where the Dutch Code would determine non-independence, in part, by reference to a Director's relationships with shareholders who own at least 10% of the Company, the Board Rules determine such Director's non-independence, in relevant part, by reference to such Director's relationships with shareholders who own at least 5% of the Company. According to the criteria of the Dutch Code and the Board Rules, all non-Executive Directors (including the Chairman) presently qualify as an "Independent Director".

The Remuneration, Nomination and Governance Committee (the "**RNGC**") of the Board of Directors is charged with recommending to the Board of Directors the names of candidates to succeed active Board Members after consultation with the Chairman of the Board of Directors and the CEO.

The Board of Directors, deciding by simple majority vote, proposes individuals to the shareholders' meeting of the Company for appointment as Directors by the shareholders' meeting. No shareholder or group of shareholders, or any other entity, has the right to propose, nominate or appoint any Directors other than the rights available to all shareholders under general Dutch corporate law.

In addition to the membership and composition rules described above, the RNGC, in recommending candidates for the Board of Directors, and the Board of Directors in its resolutions proposed to the shareholders' meeting regarding the renewal or appointment of Directors, are both required to apply the following principles:

- the preference for the best candidate for the position;
- the preference for gender diversity between equal profiles;
- the maintenance of appropriate skills mix and geographical experience;
- the maintenance, in respect of the number of Members of the Board of Directors, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least a majority of the Members of the Board of Directors (i.e., 7/12) shall be EU nationals (including the Chairman), and a majority of such majority (i.e., 4/7) shall be both EU nationals and residents (including the UK and its constituent countries, notwithstanding a withdrawal of the UK from the EU).

In accordance with these principles, the Board of Directors shall continue to seek greater diversity with respect to gender, age, geography, education, profession and background.

In 2019, one new Member, Mr. Faury, joined the Board of Directors as new CEO replacing Mr. Enders. With his extensive operational knowledge, his global outlook and strong personal values, Mr. Faury has the right competencies, mind-set and personal skills to fulfil this position in line with the Board's expectations and the evolution of the Company's business.

At the end of 2019, the average age of the Members of the Board of Directors was 59. The proportion of female representatives is today at 25% compared to 0% seven years ago. The Board composition shows a balanced mix of experience with, for example, five Members having aerospace industry skills, seven having geopolitical or economics skills, five having information or data management skills and five having manufacturing and production skills. More details about the diversity of the Members of the Board of Directors are available in the table shown on page 21 (*Airbus SE Board of Directors until AGM 2020*).

The Board of Directors is required to take into account, in the resolutions proposed in respect of the nomination of Directors presented to the shareholders' meeting, the undertakings of the Company to the French State, pursuant to the amendment to the French State Security Agreement, and to the German State, pursuant to the German State Security Agreement, in each case as described more fully above. In practice, this means that at all times the Board of Directors needs to have: (i) two Directors who should also be French Defence Outside Directors (as defined above) of the French Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the French State and (ii) two Directors who should also be German Defence Outside Directors (as defined above) of the German Defence Holding Company (as defined above) who have been proposed by the Company and consented to by the German State.

The RNGC endeavours to avoid a complete replacement of outgoing Directors by new candidates and draws up an appointment and reappointment schedule for the Directors after consultation with the Chairman and the CEO. In drawing up such a schedule, the RNGC considers the continuity of company-specific knowledge and experience within the Board of Directors, also taking into account that a Director should at the time of his/her appointment or re-appointment not be older than 75 years and ensuring that at least one third of Directors' positions are either renewed or replaced every year for a term of three years. This is to avoid large block replacements of Directors at one single AGM, with the corresponding loss of experience and integration challenges, provided that exceptions to these rules may be agreed by the Board if specific circumstances provide an appropriate justification for such exceptions.

Voting and rules

Most Board of Directors' decisions can be made by a simple majority of the votes cast by Directors (a "**Simple Majority**"), but certain decisions must be made by a two-thirds majority (i.e., eight favourable votes) of votes cast by the Directors regardless of whether they are present or represented in respect of the decision (a "**Qualified Majority**"). In addition, amendments to certain provisions of the Board Rules require the unanimous approval of the Board of Directors, with no more than one Director not being present or represented (including provisions relating to nationality and residence requirements with respect to Members of the Board of Directors and the Executive Committee). However, no individual Director or class of Directors has a veto right with respect to any Board of Directors' decisions.

Powers of the Members of the Board of Directors

The Board Rules specify that in addition to the Board of Directors' responsibilities under applicable law and the Articles of Association, the Board of Directors is responsible for certain enumerated categories of decisions. Under the Articles of Association, the Board of Directors is responsible for the management of the Company. Under the Board Rules, the Board of Directors delegates the execution of the strategy as approved by the Board of Directors and the day-to-day management of the Company to the CEO, who, supported by the Executive Committee and its executive leadership team, makes decisions with respect to the management of the Company. However, the CEO should not enter into transactions that form part of the key responsibilities of the Board of Directors, unless these transactions have been approved by the Board of Directors.

Matters that require Board of Directors' approval include among others, the following items (by Simple Majority unless otherwise noted):

- approving any change in the nature and scope of the business of the Company and Airbus;
- debating and approving the overall strategy and the strategic plan of Airbus;
- approving the operational business plan of Airbus (the "**Business Plan**") and the yearly budget of Airbus (the "Yearly Budget"), including the plans for Investment, Research and Development ("**R&D**"), Employment, Finance and, as far as applicable, major programmes;
- nominating, suspending or revoking the Chairman of the Board of Directors and the CEO (Qualified Majority);
- approving of all of the Members of the Executive Committee as proposed by the CEO and their service contracts and other contractual matters in relation to the Executive Committee and deciding upon the appointment and removal of the Secretary to the Board on the basis of the recommendation of the RNGC;
- approving the relocation of the headquarters of the principal companies of Airbus and of the operational headquarters of the Company (Qualified Majority);
- approving decisions in connection with the location of new industrial sites material to Airbus as a whole or the change of the location of existing activities that are material to Airbus;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 300 million;
- approving decisions to invest and initiate programmes financed by Airbus, acquisition, divestment or sale decisions, in each case for an amount in excess of € 800 million (Qualified Majority);
- approving decisions to enter into and terminate strategic alliances at the level of the Company or at the level of one of its principal subsidiaries (Qualified Majority);
- approving matters of shareholder policy, major actions or major announcements to the capital markets; and
- approving decisions in respect of other measures and business of fundamental significance for Airbus or which involves an abnormal level of risk.

The Board of Directors must have a certain number of Directors present or represented at a meeting to take action. This quorum requirement depends on the action to be taken. For the Board of Directors to make a decision on a Simple Majority matter, a majority of the Directors must be present or represented. For the Board of Directors to make a decision on a Qualified Majority matter, at least ten of the Directors must be present or represented. If the Board of Directors cannot act on a Qualified Majority Matter because this quorum is not satisfied, the quorum would decrease to eight of the Directors at a new duly called meeting.

In addition, the Board Rules detail the rights and duties of the Members of the Board of Directors and set out the core principles which each Member of the Board of Directors shall comply with and shall be bound by, such as acting in the best interest of the Company and its stakeholders, devoting necessary time and attention to the carrying out of his/her duties and avoiding any and all conflicts of interest.

Airbus SE Board of Directors until AGM 2020

	Board member Age*, Gender, Nationality	Status	Since	Term expires	Primary occupation & Other mandates	Director expertise	Board attendance	Committee attendance Audit	RNGC	ECC
	**Denis RANQUE** 68, M, French	Independent	*2013, previous re-election in 2017*	2020	Chairman of the Board of Directors of Airbus SE		11/11			6/6
	**Guillaume FAURY** 51, M, French	Executive	*2019*	2022	Chief Executive Officer of Airbus SE		8/8 *(from AGM 2019)*			
	**Victor CHU** 62, M, Chinese / British	Independent	*2018*	2021	Chairman and CEO of First Eastern Investment Group		11/11	5/7		
	**Jean-Pierre CLAMADIEU** 61, M, French	Independent	*2018*	2021	Chairman of the Board of Engie and member of the Board of AXA SA		10/11		6/7	3/4 *(from AGM 2019)*
	**Ralph D. CROSBY, Jr.**** 72, M, American	Independent	*2013, previous re-election in 2017*	2020	Member of the Board of Directors of American Electric Power Corp.		11/11	6/7		
	**Lord DRAYSON (Paul)**** 59, M, British	Independent	*2017*	2020	Founder and CEO of Sensyne Health plc and Co-Founder and Chairman of Drayson Technologies Group		10/11		6/7	5/6
	**Catherine GUILLOUARD** 55, F, French	Independent	*2016, previous re-election in 2019*	2022	Chairwoman and CEO of RATP Group and member of the Board of Systra		11/11	7/7		5/6
	**Hermann-Josef LAMBERTI** 64, M, German	Independent	*2007, previous re-election in 2017*	2020	Member of the Supervisory Board of ING Group N.V.		8/11	6/7		4/6
	**Amparo MORALEDA** 55, F, Spanish	Independent	*2015, previous re-election in 2018*	2021	Member of the Board of Directors of Solvay SA, CaixaBank SA and Vodafone PLC		11/11		7/7	6/6
	**Claudia NEMAT** 51, F, German	Independent	*2016, previous re-election in 2019*	2022	Member of the Board of Management of Deutsche Telekom AG		8/11		5/7	
	**René OBERMANN** 56, M, German	Independent	*2018*	2021	Managing Director of Warburg Pincus Deutschland GmbH		10/11	6/7		3/3 *(from 30 July 2019)*
	**Carlos TAVARES** 61, M, Portuguese	Independent	*2016, previous re-election in 2019*	2022	Chairman of the Managing Board of Peugeot SA and member of the Board of Directors of Total SA		9/11			
	Board and Committee meetings in 2019						11	7	7	6
	Average attendance rate in 2019						91%	86%	89%	87%

* *As of 12 February 2020.* *Chair*

** *To be re-elected in 2020.*

The professional address of all Members of the Board of Directors for any matter relating to Airbus SE is Mendelweg 30, 2333 CS Leiden, The Netherlands.

Global Business · Engineering & Technology · Manufacturing & Production · Aerospace Industry · Finance & Audit · Geopolitical Economics · Defence Industry · Information & Data Management · Asia

Changes in the composition of the Board in the course of 2019

Until AGM 2019			From AGM 2019*		
Name	**Age**	**Status**	**Name**	**Age**	**Status**
Mr. Thomas ENDERS	60	Executive	**Mr. Guillaume FAURY**	51	Executive

* *Further information on the Board members can be found in the above table "Airbus SE Board of Directors until AGM 2020".*

Changes in the Board Committee composition in the course of 2019

	Until 2019 AGM*		From 2019 AGM		From July Board	
Committee	**Name**	**Status**	**Name**	**Status**	**Name**	**Status**
Audit	**Mr. Hermann-Josef LAMBERTI**		**Ms. Catherine GUILLOUARD**			
	Ms. Catherine GUILLOUARD**	Member	**Mr. Hermann-Josef LAMBERTI**	Member		
Ethics and Compliance			**Mr. Jean-Pierre CLAMADIEU**	Member	**Mr. René OBERMANN**	Member

* *Further information on the Committee members can be found in the above tables "Airbus SE Board of Directors until AGM 2020" and "Changes in the Board Committee composition in the course of 2019".*

** *Ms. Guillouard replaced Mr. Lamberti as Chair of the Audit Committee in 2019.*

Chair

Within the Company, each Member of the Board of Directors must have the required mix of experience, qualifications, skills and industrial knowledge necessary to assist the Company in formulating and achieving its overall strategy, together with the specific expertise required to fulfil the duties assigned to him or her as Member of one of the Board of Directors' committees. The Board of Directors also believes that a diverse composition among its Members with respect to gender, experience, national origin, etc. is valuable for the quality and efficiency of its work.

4.1.2 OPERATION OF THE BOARD OF DIRECTORS IN 2019

Board of Directors meetings

The Board of Directors met 11 times during 2019 and was regularly informed of developments through business reports from the CEO, including progress on the strategic and operational activities. The average attendance rate at these meetings was 91%.

Throughout 2019, the Board of Directors reviewed and discussed the technical and commercial progress of significant new and running programmes. For the Commercial Aircraft, this comprised inter alia the ramp-up in production of the A320 Family aircraft (and the A220) and the transition to the more efficient neo version, the ramp-up of the A350 aircraft and the mitigation measures taken in relation to the engine issues hampering the production at Airbus and the operations with the customers. It also concerned the launch of the new A321 XLR aircraft and the decision to cease A380 manufacturing in 2021 with the delivery of the last aircraft. For Defence and Space, it concerned notably the progress on the A400M programme military capabilities and on the retrofit and delivery plan in line with the agreement reached with OCCAR and the states, the development of the Eurodrone and of the Future Combat Air System. In addition, this covered the OneWeb satellite constellation programme and the evolution of the overall space competitive landscape. For the Helicopter business, the Board focused its review on the overall market situation, the development of the services activities and the preparation of the H160 programme for serial production.

The Board dedicated two full sessions in 2019 to the review of the Divisions and product strategies, as well as of the overall strategy of Airbus. During the off-site Board meeting held in September in Montreal (Canada), the Board continued to visit industrial sites, staying close to the products and businesses. It met management and employees at the A220 final assembly line at Mirabel, near Montreal.

In 2019, the Board of Directors continued to support the Company's digital journey and to enhance Airbus' ability to identify and capitalise on innovative technologies and business models. But it also asked management to remain vigilant about data and product safety and to shield the Company and products from any cyber-attack.

Moreover, the Board of Directors reviewed Airbus' financial results and forecasts and maintained an emphasis on both Enterprise Risk Management ("**ERM**") and internal control. A particular focus was also made on product safety and Airbus' responsibility, sustainability and environmental initiatives. The Board discussed in particular Airbus' ambition and future agenda with respect to the Company's position in society.

A substantial share of the Board activities was dedicated to compliance matters. The Board continued to closely monitor the Serious Fraud Office / Parquet National Financier / US Department of Justice / US Department of State investigations in relation to which settlements were reached with the French, UK and US authorities in January 2020. The commitment from the Board and its Ethics and Compliance Committee to provide full support to the investigations and the implementation of globally recognised compliance standards paved the way to these agreements. In addition, the "Independent Compliance Review Panel", which is composed of renowned international experts, carried on its advising role to the Board with respect to its compliance activities in order to build an Ethics & Compliance programme and organisation meeting internationally recognized standards.

The Board also reviewed and discussed other topics of significant importance to Airbus such as the measures taken to mitigate a no-deal Brexit situation, the application of tariffs on commercial aircraft being imported to the US by the USTR and crisis management /data security matters.

The year has been marked by major changes in Airbus' top Management, including the Company's CEO and a number of Executive Committee members, including the nomination of Julie Kitcher as Executive Vice-President Communications & Corporate Affairs, second female member of the Executive Committee. The Board has been involved in the selection process. It also played a key role in the succession planning of both the Chairman and Board members in preparation for the 2020 changes.

In 2019, in addition to the formal general meeting, the Chairman with the Airbus' team, sought regular engagements with major shareholders in order to understand their views on governance, remuneration and performance against the strategy for the Company.

Board evaluation 2019

As a matter of principle, the Board of Directors implements a continuous evaluation process based on a three-year cycle. As part of this process, every three years, a formal evaluation of the functioning of the Board of Directors and its Committees is conducted with the assistance of a third-party expert. In the year succeeding such an outside evaluation, the Board of Directors performs a self-evaluation and focuses on the implementation of the improvement action plan resulting from the third party assessment. In the intervening second year, the General Counsel, being also the Secretary of the Board, issues a questionnaire and consults with Board Members to establish an internal evaluation which is then discussed with Board Members.

The year 2019 was the third year of the three-year cycle started in 2017. In November 2019, the Board of Directors therefore carried out an internal evaluation based on a questionnaire issued by the General Counsel and circulated to each Board Member.

The questionnaire primarily covered governance and Board topics, Board and Committees functioning, Board composition and selection process, dynamic between Board and Management and amongst Board members, Board decision-making process, Committees contributions, involvement of the Remuneration, Nomination and Governance Committee and Board Secretary support.

In its 2019 internal evaluation, the Board confirmed overall satisfaction with the progress made in the implementation of the "Improvement Action Plan" recommended by Heidrick & Struggles as its third-party expert, following the formal evaluation conducted in 2017.

2019 was a pivotal year with an almost entirely new management team in place making a remarkably encouraging start in interactions with the Board as per the results of the internal evaluation. In this transitioning context, the Company's governance, dynamic and performance is viewed as very satisfactory, with excellent quality of debate and relationships between the Management, the Chairman and the Board members and efficient decision-making process given the complexity of the topics.

The Board Members notably valued good Board meetings preparation, suitable time allocation to agenda items as well as satisfactory contributions of the Board Committees, elements which greatly contribute to Board's efficiency. In addition, the Board highlighted its collegial, cooperative and effective functioning as a team.

Following the last Board evaluation, frequency of participation of top management to Board meetings has significantly increased. The Board expects this trend to further improve.

The Board has spent additional time on strategy and succession planning, as well as on other important matters for which discussions would need to be further enhanced such as defence strategy and business challenges, innovation, competition, employee engagement, digitalisation and industrialisation, environment & sustainability, programme management, risk and crisis management.

The Directors underlined that the Board should as well spend further dedicated time on cybersecurity and IT, impact of geopolitical developments and product safety. In addition, executive succession planning is expected to be more extensively discussed by the Remuneration, Nomination, Governance Committee and Board.

Finally, the Board Members expressed their overall satisfaction with regards to the Board composition, selection and nomination process and highlighted the necessity to continue with the process of the staggered Board principle in order to further develop the diversity of expertise and gender within the Board.

4.1.3 BOARD COMMITTEES

The Audit Committee

Pursuant to the Board Rules, the Audit Committee, which is required to meet at least four times a year, makes recommendations to the Board of Directors on the approval of the annual financial statements and the interim accounts (Q1, H1, Q3), as well as the appointment of external auditors and the determination of their remuneration. Moreover, the Audit Committee has responsibility for verifying and making recommendations to the effect that the internal and external audit activities are correctly directed, that internal controls are duly exercised and that these matters are given due importance at meetings of the Board of Directors. Thus, it discusses with the auditors their audit programme and the results of the audit of the financial statements, and it monitors the adequacy of Airbus' internal controls, accounting policies and financial reporting. It also oversees the operation of Airbus' Enterprise Risk Management ("**ERM**") system and keeps a strong link to the Ethics & Compliance Committee. For further details in this regard, see " - 4.5: Enterprise Risk Management System". Please refer to Annex E of the Board Rules for a complete list of responsibilities of the Audit Committee.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the Audit Committee. The CFO and the Head Accounting Record to Report are requested to attend meetings to present management proposals and to answer questions. Furthermore, the Head of Corporate Audit & Forensic and the Chief Ethics & Compliance Officer are requested to report to the Audit Committee on a regular basis.

In 2019, this Committee met seven times with an average attendance rate of 86%. It fully performed all of the duties and discussed all of the items described above. In particular, it performed reviews of internal controls, corporate audit (including major findings and audit plan for 2019) and accounts (i.e. 2018 full year accounts, 2019 Q1, H1 and Q3 accounts, 2019 forecasts). Regular ERM and Legal & Compliance updates were presented to the Audit Committee and discussed in meetings (including in relation to the compliance investigations).

The Ethics and Compliance Committee

To reinforce oversight of ethics and compliance matters at the Board of Directors level, a dedicated Ethics and Compliance Committee ("**E&C Committee**" or "**ECC**") was established in 2017 and the Board Rules have been amended accordingly. Pursuant to the Board Rules, the main mission of the E&C Committee is to assist the Board in monitoring Airbus' culture and commitment to ethical business and integrity. This committee is empowered to oversee Airbus' ethics and compliance programme, organisation and framework in order to make sure that Airbus ethics and compliance governance is effective (including all associated internal policies, procedures and controls). This includes the areas of money laundering and terrorist financing, fraud, bribery and corruption, trade sanctions and export control, data privacy, procurement and supply chain compliance and anti-competitive practices.

The E&C Committee makes recommendations to the Board of Directors and its Committees on all ethics and compliance-related matters and is responsible for providing to the Audit Committee any necessary disclosures on issues or alleged ethical and compliance breaches that are financial and accounting-related. The E&C Committee maintains a reporting line with the Chief Ethics and Compliance Officer, who is requested to provide periodic reports on its activities.

The Chairman of the Audit Committee and the Chairman of the RNGC are members of the E&C Committee. Unless otherwise decided by the E&C Committee, the CEO is invited to attend the meetings. From time to time, independent external experts and the Independent Compliance Review Panel are also invited to attend E&C Committee meetings.

The E&C Committee is required to meet at least four times a year. In 2019, the E&C Committee met in total six times with an average attendance rate of 87%. All of the above described items were discussed during the meetings and the E&C Committee fully performed all the above described duties.

The Remuneration, Nomination and Governance Committee

Pursuant to the Board Rules, besides its role described in section 4.1.1 above, the RNGC consults with the CEO with respect to proposals for the appointment of the members of the Executive Committee, and makes recommendations to the Board of Directors regarding the appointment of the Secretary to the Board of Directors. The RNGC also makes recommendations to the Board of Directors regarding succession planning (at Board, Executive Committee and Senior Management levels), remuneration strategies and long-term remuneration plans. Furthermore, the Committee decides on the service contracts and other contractual matters in relation to the Members of the Board of Directors and the Executive Committee. The rules and responsibilities of the RNGC have been set out in the Board Rules.

The Chairman of the Board of Directors and the CEO are invited to attend meetings of the RNGC. The Chief Human Resources Officer ("**CHRO**") is requested to attend meetings to present management proposals and to answer questions.

In addition, the RNGC reviews the Company's top talent, discusses measures to improve engagement and to promote diversity, reviews the remuneration of the Executive Committee Members, the Long-Term Incentive Plans ("**LTIP**"), and the variable pay for the previous year.

Finally, the RNGC performs regular evaluations of the Company's corporate governance and makes proposals for changes to the Board Rules or the Articles of Association.

Pursuant to the Board Rules (as amended in December 2019), the Chair of the RNGC automatically fulfils the function of "Lead Independent Director". In this role he / she is responsible for (i) replacing the Chairman in his / her absence at meetings of the Board, (ii) organising the annual appraisal of the Chairman's performance by the Board and (iii) acting as an intermediary for and between the other Directors when necessary (e.g. acting as a spokesperson for the other Directors towards the Chairman, acting as a liaison for the Directors regarding the functioning of the Chairman and the Board).

The guiding principle governing management appointments within Airbus is that the best candidate should be appointed to the position ("best person for the job"), while at the same time seeking to achieve a balanced composition with respect to gender, experience, national origin, etc. The implementation of these principles should, however, not create any restrictions on the diversity within the Company's executive management team.

The RNGC is required to meet at least four times a year. In 2019, it met seven times with an attendance rate of 89%; it discussed all of the above described items during the meetings and it fully performed all of the above described duties.

4.1.4 EXECUTIVE COMMITTEE NOMINATION AND COMPOSITION

The CEO proposes all the Members of the Executive Committee of the Company (the "**Executive Committee**") for approval by the Board of Directors, after consultation with (i) the Chairman of the RNGC and (ii) the Chairman of the Board of Directors, applying the following principles:

- the preference for the best candidate for the position;
- the maintenance, in respect of the number of Members of the Executive Committee, of the observed balance among the nationalities of the candidates in respect of the location of the main industrial centres of Airbus (in particular among the nationals of France, Germany, Spain and the United Kingdom, where these main industrial centres are located); and
- at least two-thirds of the Members of the Executive Committee, including the CEO and the CFO, being EU nationals and residents.

Role of CEO and Executive Committee

The CEO is responsible for executing the strategy, as approved by the Board of Directors, and for managing the day-to-day operations of Airbus' business with the support of the Executive Committee ("**EC**") and its executive leadership team through Executive Leadership Meetings ("**ELM**") to which the EC members participate. The CEO shall be accountable for the proper execution of the day-to-day operations of Airbus' business.

ELMs are held on a regular basis and aim at advising the CEO on his day-to-day role and ensuring that EC members report back on business progress, updates and concerns, addressing Airbus-wide topics including corporate matters, approving all vacancies and promotions above certain levels.

The EC further supports the CEO in performing these tasks. Under the leadership of the CEO, the EC is responsible for business strategy as well as organisational matters and management of the business, monitoring key projects/ products and major investments, overseeing performance targets, whether it be financial, individual, programmes or support functions, outlining policies to motivate, recruit and retain employees. It is also accountable for regulatory and statutory obligations along with policy matters, communications and market disclosures. It is also the forum where the information or requests for approval destined to the Board are discussed and approved. The EC members shall jointly contribute to the overall interests of the Company, in addition to each member's individual operational or functional responsibility within Airbus.

The EC comprises the heads of the Divisions and key functions of the Company.

The CEO is the only Executive Director within the Board of Directors and represents the Company on the Board. But, depending on the topic, he usually asks the responsible EC member to join him at Board meetings to present the financials (CFO), programme/product topics (Division heads), HR matters (CHRO) or any other topic where a specialist is needed. This approach allows the Board Members to get to know the EC members and equips them to make judgements when it comes to decisions about key positions.

4.2 Conflict of interest

Conflict of interest

The Company has a conflict of interest policy, which sets out that any potential or actual conflict of interest between the Company and any Member of the Board of Directors shall be disclosed and, where possible, avoided (please refer to the "Board Rules (Annex D – Article 8: Conflicts of interest)"). This policy is available on the Company's website: www.airbus.com (Company / Corporate Governance / Governance Framework and Documents), as is the related best principle 2.7 of the Dutch Code (as such term is defined in section 4.3 "Dutch Corporate Governance Code" below), which the Company complied with during 2019. Pursuant to the Articles of Association and the Board Rules, a conflicted Member of the Board of Directors should abstain from participating in the deliberation and decision-making process relating to the matters concerned. The Board of Directors must approve any decision to enter a transaction where a Director has conflicts of interest that are material to the Company or the individual Director.

In 2019, no transactions were reported. There were, however, related-party transactions: for an overview, please refer to "Notes to the IFRS Consolidated Financial Statements – Note 9: Related Party Transactions".

4.3 Dutch Corporate Governance Code

In accordance with Dutch law and with the provisions of the Dutch Corporate Governance Code (the "**Dutch Code**"), which includes a number of non-mandatory recommendations, the Company either applies the provisions of the Dutch Code or, if applicable, explains and gives sound reasons for their non-application. While the Company, in its continuous efforts to adhere to the highest standards, applies nearly all of the current recommendations of the Dutch Code, it must, in accordance with the "comply or explain" principle, provide the explanations below.

On 8 December 2016, the Dutch Code was revised; its updated recommendations apply to financial years starting on or after 1 January 2017. Airbus welcomed the updates to the Dutch Code and continues supporting the emphasis of the revised Dutch Code on topics such as long-term value creation and the importance of culture.

For the full text of the Dutch Code, please refer to: **www.commissiecorporategovernance.nl**.

For the financial year 2019, and in respect of compliance with the Dutch Code, the Company states the following:

1. Vice-Chairmanship

Provision 2.3.6 (ii) of the Dutch Code recommends the election of a vice-chairman, to, among other things, deal with the situation when vacancies occur.

In December 2019 and in line with this recommendation of the Dutch Code, Airbus revised its Board Rules to provide that the Chair of the RNGC automatically fulfils the position of "Lead Independent Director". In this role he / she is responsible for (i) replacing the Chairman of the Board in his / her absence at meetings of the Board, (ii) organising the annual appraisal of the Chairman's performance by the Board and (iii) acting as an intermediary for and between the other Directors when necessary (e.g. acting as a spokesperson for the other Directors towards the Chairman of the Board, acting as a liaison for the Directors regarding the functioning of the Chairman of the Board and the Board). Effectively, the Lead Independent Director carries out tasks that are materially identical as those which a vice-chairman would have under the Dutch Code. With the introduction of the position of Lead Independent Director in 2019, Airbus expects to be (and remain) fully compliant with provision 2.3.6 (ii) of the Dutch Code for subsequent financial years.

2. Termination indemnity

Provision 3.2.3 of the Dutch Code recommends that the maximum remuneration in the event of dismissal of an Executive Board Member be one year's salary. Under this provision of the Dutch Code, severance pay should not be awarded if the Board membership is terminated early at the initiative of the Executive Board Member, or in the event of seriously culpable or negligent behaviour on the part of the Executive Board Member.

As per the amendment to the remuneration policy approved at the 2019 AGM, and in line with the recommendation of the Dutch Code, the termination indemnity of the sole Executive Board Member, the CEO, is equal to one year's salary. Consequently, the CEO is entitled to an indemnity equal to one times the last Total Annual Remuneration (defined as Base Salary and VR most recently paid), subject to applicable local legal requirements if any. The termination indemnity would be paid only provided that the performance conditions assessed by the Board of Directors had been fulfilled by the CEO. With this amendment to the termination indemnity in 2019, Airbus expects to be (and remain) compliant with provision 3.2.3 of the Dutch Code for subsequent financial years.

3. Securities in the Company as long-term investment

Provision 3.3.3 of the Dutch Code recommends that non-Executive Directors who hold securities in the Company should keep them as a long-term investment.

Although non-Executive Directors are welcome to own shares in the share capital of the Company, the Company does not require its non-Executive Directors who hold shares to keep such shares as a long-term investment. Airbus considers it is altogether unclear whether share ownership by non-Executive Directors constitutes a factor of virtuous alignment with stakeholder interest or may be a source of bias against objective decisions.

4. Dealings with analysts

Provision 4.2.3 of the Dutch Code recommends meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the Company's website and by means of press releases. In addition, it recommends that provisions shall be made for all shareholders to follow these meetings and presentations in real time, and that after the meetings the presentations shall be posted on the Company's website.

The Company does not always allow shareholders to follow meetings with analysts in real time. However, the Company ensures that all shareholders and other parties in the financial markets are provided with equal and simultaneous information about matters that may influence the share price.

5. Gender diversity

The composition guidelines regarding gender diversity under Dutch law pursuant to which the Board of Directors would be regarded as being composed in a balanced way if it contained at least 30% women and at least 30% men expired on 1 January 2020. Nevertheless, the Company will continue to promote gender diversity within its Board of Directors in accordance with the principles mentioned in section 4.1.1 above. In addition, the Company will continue to give due consideration to any applicable gender targets in its search to find suitable candidates and to actively seek female candidates. However, the Company believes that candidates should not be recruited based on gender alone; the capabilities and skills of potential candidates are most important in this respect. The proportion of the female representation on the Board of Directors is currently at 25% (against 0% seven years ago).

Furthermore, the Company is committed to supporting, valuing and leveraging the value of diversity. That being said, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being "the right person for the job". Although the Company has not set specific targets with respect to particular elements of diversity, except for the principles described in 4.1.1 - "Composition, powers and rules" and those targets which apply by law, the Company is committed to seeking broad diversity in the composition of the Board of Directors and its Executive Committee and will consider attributes such as personal background, age, gender, experience, capabilities and skills when evaluating new candidates in the best interests of the Company and its stakeholders.

The Company believes that the composition of its Board of Directors and its Executive Committee is consistent with these diversity objectives.

For information on the operation of the Shareholders' Meeting, its key powers, the shareholders' rights and how such powers and rights can be exercised, see " - 3.1: Shareholding and voting rights – right to attend Shareholders' Meetings".

For information on the composition and operation of the Board of Directors and its respective committees, see " - 4.1.1: Composition, power and rules", " - 4.1.2: Operation of the Board of Directors in 2019", and " - 4.1.3: Board Committees".

For information on (i) significant direct and indirect shareholdings, (ii) holders of shares with special control rights, (iii) rules governing appointment and dismissal of Directors, (iv) amendments to the Articles of Association, and (v) the delegation to the Board of Directors of the power to issue or buy back shares, see " - 3.1: Shareholding and voting rights – Shareholding structure at the end of 2019", " – 3.2: Relationships with Principal Shareholders", " - 4.1.1: Composition, powers and rules", " -3.1: Shareholding and voting rights – Amendments to the Articles of Association" and " - 3.1: Shareholding and voting rights – Modification of share capital or rights attached to shares".

4.4 Remuneration Report

4.4.1 INTRODUCTION

The **RNGC** is pleased to present the Remuneration Report which comprises the following sections:

Paragraph 4.4.2 presents the proposed Company's remuneration policy ("**Remuneration Policy**") for adoption at the Annual General Meeting to be held in 2020 ("AGM 2020") and to be applicable from 1 January 2020. Its structure and substance are materially identical to those of the policy currently applicable and approved by the general meeting. To comply with the requirements of new Dutch regulations, this Remuneration Policy has been further detailed and refined in certain aspects.

Paragraph 4.4.3 highlights also two proposed amendments to the Remuneration Policy: the introduction of an Responsibility & Sustainability ("**R&S**") criterion in replacement of the existing RoCE criterion in the calculation of the Annual Variable Remuneration (as defined in paragraph 4.4.2 B item b) below), and the move from defined benefit pension commitment to contributions based pension plans.

Paragraphs 4.4.4 and 4.4.5 respectively describe how the Remuneration Policy was implemented in 2019 in respect of the current and former CEO and of the Non-Executive Members of the Board of Directors.

Note: Whilst this chapter 4.4 is presented as the Company's Remuneration Report, only the disclosure included in (or expressly incorporated by reference into) this paragraph 4.4.1 and paragraphs 4.4.4 and 4.4.5 constitute the remuneration report (bezoldigingsverslag) for purposes of Section 2:135b of the Dutch Civil Code and will be included as a separate agenda item for an advisory vote at the AGM 2020.

The cumulated remuneration of all Executive Committee Members is presented in the "Notes to the IFRS Consolidated Financial Statements – Note 34: Remuneration". To the extent that any information presented in this Note relates to matters referred to in Sections 2:383c through 2:383e of the Dutch Civil Code and is not also described in paragraph 4.4.4, such information is incorporated by reference into this Remuneration Report in order to satisfy the requirements of the Dutch Civil Code.

4.4.2 REMUNERATION POLICY

A — General

The Remuneration Policy covers all Members of the Board of Directors: the CEO (who is the only Executive Director) and the other Members of the Board (who are the Non-Executive Directors).

Pursuant to a resolution to that effect, the General Meeting may (re)adopt, amend or supplement the Remuneration Policy on the basis of a proposal by the Board of Directors at the recommendation of the RNGC.

The Board of Directors, at the recommendation of the RNGC, may decide to deviate temporarily (and ultimately until the General Meeting adopts an amended version of the Remuneration Policy following the occurrence of such deviation) from any element of the Remuneration Policy as outlined below, if this is necessary to serve the long-term interests and sustainability of the Company or to assure its viability.

It is proposed to the AGM 2020 to adopt the Remuneration Policy in the form set out below in this chapter 4.4.2 with effect as of 1 January 2020. The substantive terms of the Remuneration Policy have not been revised since the most recent amendment approved by the general meeting; the proposed revisions relate to clarifications and technical improvements throughout the policy in order to comply with the recently introduced provisions of the Dutch Civil Code. Given the positive outcome of the most recent vote at the Company's general meeting on the Remuneration Policy, the Board of Directors does not believe that substantive amendments to the Remuneration Policy are required (except for the proposed amendments as described in chapter 4.4.3).

The Remuneration Policy shall be posted on the Company's website as part of the Company's annual report of the Board of Directors.

B — Executive Remuneration – Applicable to the CEO

a) Remuneration Philosophy

The Company’s remuneration philosophy aims to provide remuneration that will attract, retain and motivate high-calibre executives, whose contribution will ensure that the Company achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders in a manner consistent with the Company's identity, mission and corporate values.

The Board of Directors and the RNGC are committed to making sure that the Executive remuneration structure (i) is transparent and comprehensive for all stakeholders, (ii) is consistent and aligned with the interests of long-term shareholders, also taking into consideration the employment conditions of the Company's employees and (iii) incentivises R&S and furthers the Company's corporate values by basing variable remuneration components also on the achievement of non-financial targets and metrics using environmental, social or governance ("**ESG**") criteria.

Before setting the targets to be proposed for adoption by the Board of Directors, the RNGC considers the financial outcome scenarios of meeting performance targets, including achieving maximum performance thresholds, and how these may affect the level and structure of the Executive remuneration, as well as potential risks for the Company's business which may result from variable compensation. The Board of Directors shall also consider these aspects, based on the RNGC's recommendations.

Also, before making a recommendation relating to the remuneration of the CEO, the RNGC and the Board of Directors shall take note of the views of the CEO with regard to the amount, level and structure of his or her remuneration.

b) Total Direct Compensation and Peer group

The CEO’s total direct compensation (“**Total Direct Compensation**”) comprises a base remuneration (“**Base Salary**”), an annual variable short-term remuneration (“**Annual Variable Remuneration**” or “**VR**”) and a Long-Term Incentive Plan (“**LTIP**”). The three elements of the Total Direct Compensation are each intended to comprise one-third of the total, assuming the achievement of performance conditions is 100% of the applicable targets.

The level of the Total Direct Compensation for the CEO (Base Salary, VR and LTIP) is set by reference to the median of an extensive peer group (as described in paragraph 4.4.4 item a) below) and takes into account the scope of the role of the CEO and the level and structure of executive rewards within Airbus. The benchmark is regularly reviewed by the RNGC with the support of an independent consultant and is based on a peer group which comprises:

- global companies in Airbus’ main markets (France, Germany, UK and US), excluding financial institutions; and
- companies operating in the same industries as Airbus worldwide.

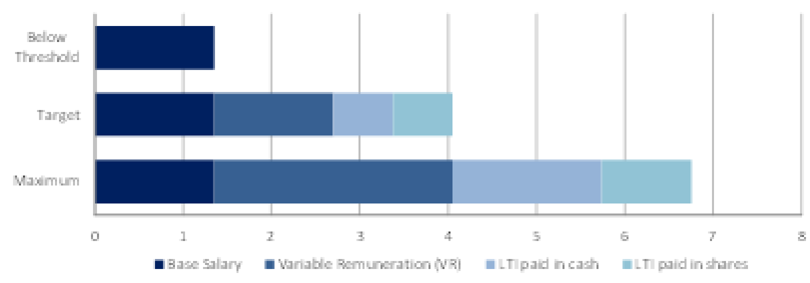
The elements of the Total Direct Compensation are described below:

Remuneration Element	Main Drivers	Performance Measures	Target and Maximum
Base Salary	Reflects market value of position.	Not applicable	1/3 of Total Direct Compensation (when performance achievement is 100% of target).
VR	Rewards annual performance based on achievement of Company performance measures and individual objectives.	Collective (50% of VR): divided between EBIT[2] (40%); Free Cash Flow[3] (40%) and R&S (20%). Individual (50% of VR): Achievement of annual individual objectives, divided between Outcomes and Behaviour.	The VR is targeted at 100% of Base Salary for the CEO and, depending on the performance assessment, ranges from 0% to 200% of target. The VR is capped at 200% of Base Salary.
LTIP	Rewards long-term commitment and Company performance, and engagement on financial targets subject to cumulative performance over a 3-year period.	Vesting ranges from 0% to 150% of initial grant, subject to performance over a three-year period. In principle, no vesting if cumulative negative EBIT. If cumulative EBIT is positive, vesting from 50% to 150% of grant based on EPS (75%) and Free Cash Flow (25%).	The original allocation to the CEO is capped at 100% of Base Salary at the time of grant. The following caps apply to Performance Units: - overall pay-out is capped at a maximum of 250% of the original value at the date of grant. - The value that could result from share price increases is capped at 200% of the reference share price at the date of grant.

2 The Company continues to use the term EBIT (Earnings Before Interest and Taxes). It is identical to Profit before finance cost and income taxes as defined by IFRS Rules.

3 Airbus defines the alternative performance measure Free Cash Flow ("FCF") as the sum of (i) cash provided by operating activities and (ii) cash used for investing activities, less (iii) change of securities, (iv) contribution to plan assets for pension schemes, (v) realised treasury swaps and (vi) bank activities. It is a key indicator which allows the Company to measure the amount of cash flow generated from operations after cash used in investing activities.

The following graphic depicts three relevant scenarios for the outcome of the Total Direct Compensation:



Indications assume a Base Salary of EUR 1.35 million, but the Board of Directors may revise the Base Salary based on the recommendations of the RNGC.

"Below Threshold" includes annual Base Salary; VR at 0%; LTIP not vesting.

"Target" includes Base Salary, VR at target and LTIP grant face value in cash and in shares.

"Maximum" includes Base Salary; maximum VR value (200% of VR at target); maximum LTIP cash grant projected at vesting date (250% of grant value); maximum performance applicable to the number of shares granted (150%). The final value of performance shares depends on the share price development which is not capped.

c) Base Salary

The CEO's Base Salary is determined by the Board of Directors, taking into account the peer group analysis mentioned above.

d) Annual Variable Remuneration

The Variable Remuneration is a cash payment that is paid following the end of each financial year, depending on the achievement of specific and challenging performance targets as determined at the beginning of each financial year. The level of the CEO's Variable Remuneration is targeted at 100% of the Base Salary; it is capped at a maximum level of 200% of the Base Salary. The entire variable remuneration is at-risk, and therefore if performance targets are not achieved as per the defined objectives agreed by the Board of Directors, no variable remuneration is paid.

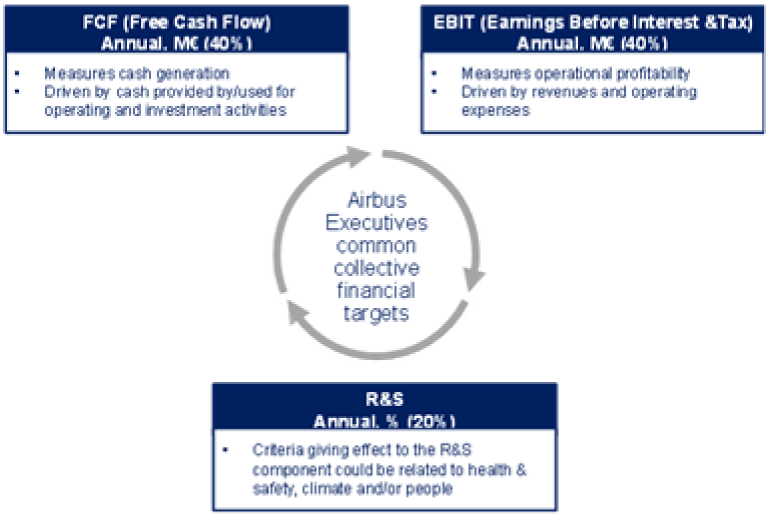
The performance measures that are considered when awarding the variable remuneration to the CEO are split between common collective performance measures and individual performance measures.

Common Collective Component

The common collective component is based on EBIT (40%), Free Cash Flow (40%) and R&S (20%) objectives (the "**Common Collective Component**"). At the beginning of each year, the Board of Directors sets the targets for these key value drivers at Company and Division levels. The common collective targets relate closely to internal planning and to guidance given to the capital markets (although there may be variations from these). The key value drivers that form the R&S component will be determined by the Board of Directors and disclosed in the implementation section of the Company's remuneration report for the relevant financial year. They can be related to matters such as health & safety, climate and/or people.

To calculate the common collective annual achievement levels, actual EBIT, Free Cash Flow and R&S performance is compared against the targets that were set for the year. This comparison forms the basis for computing achievement levels, noting that the actual EBIT, Free Cash Flow levels are occasionally normalised for a limited number of factors which are outside management's control (such as certain foreign exchange impacts or unplanned merger and acquisition activities). The RNGC's intention is to ensure ambitious financial and R&S targets and to incentivise the CEO's commitment to meeting these targets.

The graphic below illustrates the Common Collective Component, how it is measured and what the key value drivers are:



Individual Component

The individual element ("Individual Component") focuses on Outcomes and Behaviour (as defined below). Individual performance is assessed in these two important dimensions, which both contribute to the Company's remuneration philosophy. Among other matters, corporate social responsibility and the Company's corporate values are considered as part of this assessment.

- **Outcomes** encompass various aspects of what the CEO can do to contribute to the success of the business: specific business results he achieves, projects he drives and processes he improves. The individual targets of the CEO are comprehensive and shared with all employees via the Top Company Objectives.
- **Behaviour** refers to the way results have been achieved, which is also critical for long-term success: how the CEO and the Board of Directors work as a team, how the CEO leads the Executive Committee, quality of communication, encouragement of innovation, etc. A specific part of the behaviour assessment relates to ethics, compliance, quality and other sustainability matters.

The performance of the Individual Component is measured by the RNGC for the CEO and for all the other members of the Executive Committee.

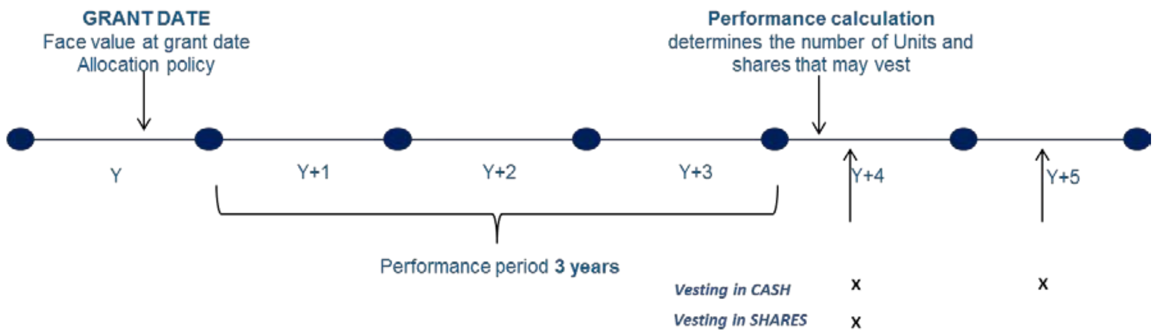
The RNGC discusses the level of achievement of every single target and derives a combined target achievement level for the outcomes. The behavioural part of the Individual Component is also discussed by the RNGC and constitutes an adjustment factor for the target achievement of the outcomes. Finally, the RNGC proposes to the Board of Directors the compound Individual Component of the CEO target achievement made up from the outcomes and behavioural achievements.

e) Long-Term Incentive Plan

The CEO participates in the Company's Long Term Incentive Plan ("**LTIP**") in order to increase the alignment with shareholders' interests. The LTIP allows the award of performance units ("Performance Units" or "Units") and/or performance shares ("**Performance Shares**" or "**Shares**").

The value of the CEO's LTIP allocation is capped at 100% of the Base Salary at the date of grant and subject to performance conditions. The achievement of the performance criteria is assessed by the RNGC after a three-year period based on relevant financial criteria during this period of three years with stringent targets set in advance and agreed by the Board of Directors at the recommendation of the RNGC.

At the end of this three-year period, the grant is subject to a performance calculation to determine whether and to what extent it should vest. Depending on this calculation (i) Performance Units will vest in two tranches, the payment of which takes place approximately 6 and 18 months following the end of the performance period and (ii) Performance Shares will vest in one tranche, approximately 6 months following the end of the performance period. This is depicted in the graphic below:



The level of vesting of Performance Shares and Units is subject to the following performance measures:

- 0-50% of the allocation: In principle, this element of the Performance Unit/Share award will not vest if the Company reports negative cumulated EBIT results. Nonetheless, in case the Company's EBIT results are impacted by exceptional and unpredictable circumstances, the Board of Directors, upon recommendation of the RNGC, may decide that a maximum portion of 50% of the allocation will vest;
- 50-150% of the allocation: This element of the Performance Unit/Shares vests based on the two following performance criteria: average earnings per share (75%) ("Earnings per Share" or "EPS") and cumulative Free Cash Flow (25%).

The vesting of Performance Units and Shares is subject to the following maximum cap:

- the maximum level of vesting is 150% of the number of Units/Shares granted.

The vesting of Performance Units is subject to the following maximum caps:

- the value that could result from share price increases is capped at 200% of the reference share price at the date of grant; and
- the overall pay-out is capped at 250% of the value at the date of grant.

Performance Units and Performance Shares that vest in accordance with the terms and conditions applicable to them are settled without further action being required by the beneficiary.

For each payment in cash, one Unit is equal to the value of one Airbus share at the time of vesting. The Airbus share value is the average of the opening share price, on the Paris Stock Exchange, during the 20 trading days preceding and including the respective vesting dates.

f) Share Ownership Guideline

The Board of Directors has established a share ownership guideline pursuant to which the CEO is expected to acquire Airbus shares with a value equal to 200% of the Base Salary and to hold them throughout his or her tenure.

g) Benefits

The benefits offered to the CEO are similar to the benefits granted to other executives of the Company and comprise, among other matters, medical, death and disability coverage (both through a social security system or a company plan, depending on the contractual agreement with the CEO), a company car and usual facilities.

Unless the law provides otherwise, the costs and expenses of the CEO are covered, including reasonable costs of defending claims, under the conditions set forth in the insurance policy subscribed by the Company. Under circumstances excluded by the insurance policy, such as an act or failure to act by the CEO that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to any coverage.

h) Retirement

The CEO is entitled to retirement benefits through mandatory applicable state and collective pension plans.

The CEO participates also in a Company pension contributions based plan. This plan consists of an annual pension contribution of 20% of the annual pensionable remuneration (as described in paragraph 4.4.4 item h) below) subject to applicable local practices (if any).

i) Clawback

In accordance with Dutch law, the Board of Directors may adjust a "bonus" (as defined under Dutch law, including short-term remuneration and awards under the Long-Term Incentive Plan subject to performance criteria) awarded to the CEO to a suitable level, if payment or satisfaction of that bonus would be unacceptable under the standards of reasonableness and fairness. Also, the Company may reclaim a bonus already paid, in whole or in part subject to applicable local legal requirements if any, to the extent that such payment was made on the basis of incorrect information regarding the achievement of the targets, objectives and/or conditions underlying the bonus or regarding the circumstances on which the bonus was dependent. The Non-Executive Directors, or a special representative designated by the General Meeting, may demand such repayment on the Company's behalf.

Any such adjustment or clawback will be reported in the notes of the relevant financial statements of the Company.

j) Loans

The Company does not provide loans or advances to the CEO.

k) Severance

In case of termination of the CEO's duties at the initiative of the Board of Directors, the CEO shall be entitled to an indemnity equal to one (1) time the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any, and provided that the performance conditions (as described in paragraph 4.4.4 item k) below) assessed by the Board of Directors have been fulfilled. If the CEO's appointment as member of the Board of Directors terminates within a period of 12 months or less prior to his retirement date, the termination indemnity will be limited by pro-rating its amount. This will not apply if the CEO's mandate is terminated for cause (misconduct), in case of resignation or termination on or after his retirement date.

The CEO's appointment terms and conditions include a non-compete clause, which applies for a maximum of one year. The compensation under the non-compete clause is equal to 50% of the last Total Annual Remuneration (defined as Base Salary and VR most recently paid) subject to applicable local legal requirements if any and paid in monthly instalments.

Past LTIP awards may be maintained, in such cases as in the case of retirement or if a mandate is not renewed by the Company for a reason other than cause (misconduct). The vesting of past LTIP awards follows the rules and regulations of the LTIP including performance conditions and is not accelerated in any case. LTIP awards are forfeited for executives who leave the Company at their own initiative, but this is subject to review by the Board of Directors.

The term of the CEO's appointment is linked to his or her mandate as member of the Board of Directors. The termination of the CEO's appointment may be subject to a notice period of six months, except if the CEO's appointment is terminated for cause (misconduct), in which case the CEO's appointment may be terminated immediately, or in case of non-renewal of the CEO's mandate by the General Meeting.

C — Non-Executive Remuneration – Applicable to Non-Executive Directors

The Company's Remuneration Policy with regard to Non-Executive Directors aims at ensuring fair compensation and protecting the independence of the Board's Members. Their remuneration should be commensurate to the time spent and the responsibilities of their role on the Board of Directors.

Fees and Entitlements

Non-Executive Directors are entitled to the following remuneration components:

- a base fee for membership or chair of the Board;
- a Committee fee for membership or chair on each of the Board's Committees; and
- an attendance fee for the attendance of Board meetings (subject to such conditions as may be imposed by the Board of Directors at the recommendation of the RNGC); and
- an attendance fee for the attendance of Committee meetings if and when such Committees would have more than four Committee meetings per year (whether these meetings are held physically or by phone).

Each of these fees is a fixed amount that is determined by the Board of Directors from time to time, at the recommendation of the RNGC.

Committee chairmanship and Committee membership fees are cumulative if the concerned Non-Executive Director belongs to two different Committees. Fees are paid twice a year at the end of each semester (as close as possible to the Board meeting dates).

Non-Executive Directors do not receive any performance or equity- related compensation, and do not accrue pension rights with the Company in the frame of their mandate, except what they would receive in the frame of a current or past executive mandate. These measures are designed to ensure the independence of Board Members and strengthen the overall effectiveness of the Company's corporate governance.

The Company does not encourage Non-Executive Directors to purchase Company shares.

The Company does not provide loans or advances to the Non-Executive Directors.

Unless the law provides otherwise, the Non-Executive Directors shall be reimbursed by the Company for various costs and expenses, including reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement.

4.4.3 PROPOSED AMENDMENTS INCLUDED IN THE REMUNERATION POLICY

The Company's Remuneration Policy that will be proposed for adoption at the AGM 2020, and as presented in paragraph 4.4.2 above, contains the following amendments:

Proposal to include an R&S component in the Variable Remuneration of the CEO

The current Common Collective Component of the Variable Remuneration of the CEO is based only on financial key value drivers. In line with market practices and as announced in the Company's 2018 Report of the Board of Directors, in order to reinforce the alignment between the Company's strategy, values and remuneration structure, the Board proposes the introduction of an R&S component in the Common Collective Component of the CEO's Variable Remuneration. The R&S component will replace the existing RoCE criterion and will represent 20% of the Common Collective Component. Consequently, it is proposed that the new partition of the components be as follows from 1 January 2020: EBIT (40%), FCF (40%) and R&S (20%). Among other matters, criteria giving effect to the R&S component can be related to health & safety, climate and/or people in line with the Company's Priorities. These principles will also apply to the other members of the Executive Committee, who do not serve on the Board of Directors, and to a large extent to all Executives employed by Airbus. For information, the contemplated R&S target for 2020 is a 15% reduction in our accident frequency rate (measured through the rate "FR1" equal to the number of lost time accident per million of hours worked) compared to 2019.

Proposal to amend the CEO's pension policy

In line with market practices, the Board also proposes to amend the CEO's pension policy and to move from a defined benefit commitment to a contribution based pension plan. From 1 January 2020, in addition to local applicable mandatory collective and state pension plans, the annual accrued pension rights of the CEO will be built through a contribution of 20% of the annual pensionable remuneration, subject to applicable local practices (if any). This change also applies to the majority of the members of the Executive Committee and will apply to all future members of the Executive Committee.

4.4.4 IMPLEMENTATION OF THE REMUNERATION POLICY: CEO

A — General

This paragraph 4.4.4 describes how the Remuneration Policy was implemented in 2019 with respect to the CEO: Section B relates to the current CEO (Mr Guillaume Faury) and section C relates to the former CEO (Mr Thomas Enders).

In line with the Remuneration Policy and the expectation of the RNGC and the Board of Directors, the implementation thereof with regard to the CEOs results in a remuneration that will retain and motivate high-calibre executive. It will ensure that the Company achieves its strategic and operational objectives, thereby delivering long-term sustainable returns for all shareholders and other stakeholders in a manner consistent with the Company's identity, mission and corporate values.

B — Implementation of the Remuneration Policy in 2019: Current CEO

As announced on 31 January 2020, Airbus has reached final agreements with the French Parquet National Financier (PNF), the U.K. Serious Fraud Office (SFO), and the U.S. Department of Justice (DoJ) resolving the authorities' investigations into allegations of bribery and corruption, as well as with the U.S. Department of State (DoS) and the DoJ to resolve their investigations into inaccurate and misleading filings made with the DoS pursuant to the U.S. International Traffic in Arms Regulations (ITAR). In this context, Airbus has agreed to pay penalties of € 3,598 million plus interest and costs to the French, U.K. and U.S. authorities. These agreements relate to legacy behaviour. With the full support of the Company's Board of Directors and its Ethics and Compliance Committee, considerable steps have been taken over the past years to design and implement an effective ethics and compliance programme and organisation across Airbus, meeting globally recognised standards. The fact that Airbus has reached agreements with multiple authorities is clear recognition of the substantial progress made on the Company's compliance programme in recent years. The Company's executive team reported to the authorities and demonstrated exemplary cooperation along the whole process. For these reasons, the Committee has concluded that the impact of the penalties should not be considered in the assessment of the 2019 Variable Remuneration and the ongoing and future incentive plans.

a) Benchmarking

The latest benchmark performed in November 2018 was based on the relevant peer group composed of 76 companies selected from CAC40 in France, DAX 30 in Germany, FTSE 100 in the UK and DJ 30 in the US as well as large European companies having comparable economic indicators such as revenues, number of employees and market capitalisation. Financial institutions were excluded from the peer group.

Based on a review performed by the RNGC in 2018 with the assistance of an independent consultant, Willis Towers Watson, it was concluded that the CEO's Total Direct Compensation was at the median level of the peer group as defined in paragraph 4.4.2.B item (b) above.

b) Base Salary

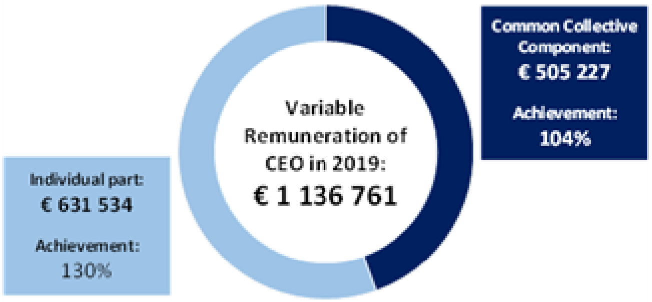
The CEO's Base Salary level on a full year basis is € 1,350,000.

The prorated Base Salary paid to the CEO calculated from his appointment in April 2019 until and including 31 December 2019 amounts to € 971,591.

c) Annual Variable Remuneration

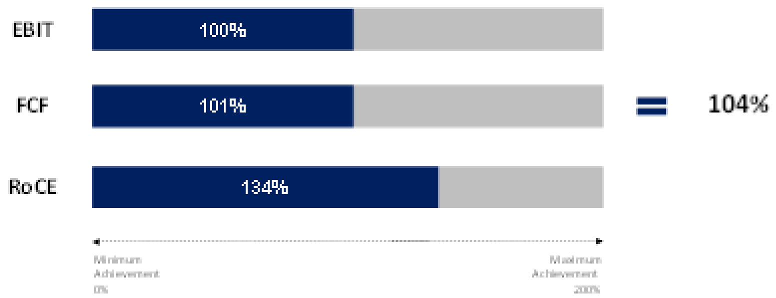
As stipulated in the Company's Remuneration Policy, the CEO's VR is targeted at 100% of the Base Salary and capped at 200% of the Base Salary. It is subject to the fulfilment of collective and individual performance targets.

For 2019, the VR prorated of the CEO amounts to an aggregate of € 1,136,761 composed of € 505,227 (104%) for the Common Collective Component and € 631,534 (130%) for the Individual Component.



PERFORMANCE ACHIEVEMENT - COMMON COLLECTIVE COMPONENT

According the policy applicable for the financial year 2019, the Common Collective Component results from a composite 104% achievement of EBIT (100%), Free Cash Flow (101%) and RoCE (134%) objectives.



This achievement mainly reflects a solid EBIT and Free Cash Flow generation against the budgeted targets. The main drivers were the strong underlying financial performance with record deliveries, progress on A350 program, healthy pre-delivery payments inflows, disciplined inventory management on wide-body and sound CapEx spending, offsetting the industrial challenges. Finally, RoCE was above the target.

Normalisations were made to exclude exceptional events such as currency exchange differences or those arising from phasing mismatches.

Note for information on the collective component contemplated for 2020*: Subject to approval by the AGM 2020 of the proposed Remuneration Policy as described in paragraph 4.4.2 (including the replacement of the RoCE (10%) criterion by an R&S (20%) component), the Board of Directors decided to select a health & safety value driver for the 2020 R&S component in line with its significant impact in the materiality assessment of Airbus' approach to R&S (see: Chapter 6 – Non financial information and other corporate activities – Materiality matrix and paragraph c- Health and Safety in Chapter 6 – 6.1.4 – Responsible Employer). As one of the Company's Priorities is to provide a safe and inclusive working environment, it was decided that the R&S target for 2020 should be a 15% reduction in our accident frequency rate (measured through the rate "FR1" equal to the number of lost time accident per million of hours worked) compared to 2019. Safety is reviewed across the whole group on a daily basis and Airbus' FR1 performance is reported on a monthly basis to the CEO who in turn reviews the improvement plans and adapts actions across the business.*

PERFORMANCE ACHIEVEMENT - INDIVIDUAL COMPONENT

The Individual Component in 2019 results from an achievement level of 130% out of 200%, assessed by the RNGC and approved by the Board of Directors on the basis of the CEO's performance and behaviour, mostly with respect to the Airbus priorities agreed at the start of 2019 (see: Chapter 2 – Summary 2019). For each of these outcomes, leadership, personal performance and contributions were examined.

The **factors determining the assessment** were among other achievements:

- Strong underlying financial performance of the Company; achievement of the 2019 FY guidance; increased consolidated revenues by 11% and EBIT Adjusted by 19%;
- New Company and industry record of Commercial Aircraft deliveries with 863 aircraft delivered to 99 customers; almost 100 deliveries more than in 2018; breakeven target for the A350 achieved;
- Very successful launch of the 321XLR counting over 300 orders with more than 10 airlines;
- Successful Type Certification of the Beluga XL by the European Aviation Safety Agency (EASA): paves the way to entry-into-service in early 2020; key enabler for production ramp-up beyond 2019;
- Successful A220 post-merger integration: market development, ramp-up and cost reduction on track;
- Single Aisle industrial transformation launched and set as a Company Priority; first results delivered in 2019;
- Solid sales performance in Airbus Helicopters with highest-ever bookings in value achieved in 2019 (more than € 7 billion); notable evolution of services activities; unveiling of new version of the H145 light twin-engine helicopter with increase in overall performance; delivery of the 1000th Super Puma helicopter and of the first NH90 Sea Lion naval multi-role helicopter;
- Key successes on MRTT and on the Future Combat Air System with the delivery of a joint industrial proposal to the governments of France and Germany for the first Demonstrator Phase of the programme and joint concept study tranche one completed; major milestones achievement in the A400M programme with new capabilities introduced; 18 new satellites in orbit and 11 new satellites under contract;
- Good progress on UAV and green aircraft roadmaps;
- Solid progress on digital roadmap for DDMS and Skywise: number of airlines on Skywise more than doubled since the end of 2018 (>100 airlines);
- Effective ethics and compliance programme and organisation designed and implemented across Airbus: allowed finalisation of agreements with the French, U.K. and U.S. authorities in January 2020;

- Key advancement in the Company's transformation programme with successful management transition, including structuring and empowerment of the new leadership organisation; reinforced efforts on diversity in all its forms, including the appointment of a second woman at the Executive Committee; strong emphasis on responsibility & sustainability raised at the heart of the Company's Priorities, including the reorganisation of the responsibility & sustainability teams to ensure the development of a strong responsibility & sustainability culture across the Company.

d) Long-Term Incentive Plan

Granting 2019

Under the Company's Remuneration Policy, the CEO is eligible to receive a Performance Units and Performance Shares award under the Company's LTIP. The value of the Performance Unit and Share award is capped at 100% of the Base Salary at the date of grant. During 2019, the CEO was granted an aggregate of 11,060 of Performance Units and Performance Shares. The LTIP awards during 2019, in line with the Remuneration Policy (4.4.2 B item b)), represent one third of the CEO's target Total Direct Compensation.

The table below gives an overview of the Performance Units and Performance Shares granted to the CEO in 2019 pursuant to the LTIP:

Unit plan: number of Performance Units		
	Granted in 2019	**Vesting dates**
Guillaume Faury	5,530	Vesting schedule is made up of 2 tranches over 2 years: (i) 50% expected in May 2023 (ii) 50% expected in May 2024
Share plan: number of Performance Shares		
	Granted in 2019	**Vesting dates**
Guillaume Faury	5,530	Vesting schedule is made up of 1 tranche: (i) 100% expected in May 2023

The grants in 2019 were performed in compliance with the performance measures (average EPS (75%) and cumulative FCF (25%)) described in paragraph 4.4.2 B item e).

Vesting values in 2019

In 2019, the CEO received both cash payments and vested shares in connection with the vesting of 2014 and 2015 LTIP awards:

- **Cash:** the total cash payment to the CEO amounted to € 697,383 in 2019.
- **Shares:**
    - In connection with the 2014 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the CEO received 2,528 vested shares on the second vesting date for LTIP 2014 (31 May 2019).
    - In connection with the 2015 LTIP award, the CEO had elected that 25% of his grant should be deferred into shares. Therefore, the vesting of 1,998 Performance Units for the LTIP 2015 will be released in the form of shares on the second vesting date for the 2015 LTIP (which will take place in 2020).

LTIP overview: granting and vesting

Date of grants	Grant Type	Number	Share price at grant date	Value at grant date	(Un)conditional	Performance achievement	Units with performance achievement	Dates of vesting	Share value at vesting dates(*)
2014	Units	12,640	€ 47.45	€ 599,768	Conditional	80%	10,112	2 vestings in 2018 - 2019	1st vesting – 3 May 2018: € 94.40 2nd vesting – 31 May 2019: € 94.90
2015	Units	10,656	€ 56.31	€ 600,039	Conditional	75%	7,992	2 vestings in 2019 - 2020	1st vesting- 31 May 2019: € 112.62
2016	Units	5,696	€ 52.67	€ 300,008	Conditional	75%	4,272	2 vestings in 2020 - 2021	Not yet known
2016	Shares	5,696	€ 52.67	€ 300,008	Conditional	75%	4,272	1 vesting in 2020	Not yet known
2017	Units	4,404	€ 73.81	€ 325,059	Conditional	Not yet known	Not yet known	2 vestings in 2021 - 2022	Not yet known
2017	Shares	4,404	€ 73.81	€ 325,059	Conditional	Not yet known	Not yet known	1 vesting in 2021	Not yet known
2018	Units	4,208	€ 106.94	€ 450,004	Conditional	Not yet known	Not yet known	2 vestings in 2022 - 2023	Not yet known
2018	Shares	4,208	€ 106.94	€ 450,004	Conditional	Not yet known	Not yet known	1 vesting in 2022	Not yet known
2019	Units	5,530	€ 122.06	€ 674,992	Conditional	Not yet known	Not yet known	2 vestings in 2023 - 2024	Not yet known
2019	Shares	5,530	€ 122.06	€ 674,992	Conditional	Not yet known	Not yet known	1 vesting in 2023	Not yet known
	Calculations may involve rounding to the nearest unit.								

** Vesting will occur according to the respective rules and regulations of each plan.*

NOTE: 2014 to 2018 awards were granted to Mr Faury before his appointment as CEO and should vest during his mandate.

Performance Conditions of LTIP 2016:

- The performance conditions for LTIP 2016 were determined as follows: if Airbus reports negative cumulated EBIT results, the Board of Directors can decide at its sole discretion to review the vesting of the Performance Units, including the 50% portion which is not subject to performance conditions.
- 50% to 150% of the allocation would be granted depending on the compounded achievement of the two following performance criteria:
  - 75% of average EPS (“Ave EPS”): determined on a linear basis depending on three-year Ave EPS for the 2017, 2018 and 2019 fiscal years, with the three-year Ave EPS target for an allocation of 100% equal to € 4.40; and
  - 25% of cumulative FCF (“Cum FCF”): determined on a linear basis depending on three-year Cum FCF for the 2017, 2018 and 2019 fiscal years, with the three-year Cum FCF target for an allocation of 100% equal to € 5,774 million.

Review of Achievement of Performance Conditions:

The Board of Directors on 12 February 2020 noted the achievement of the performance conditions of the 2016 plan, i.e. for the 2017, 2018 and 2019 fiscal years. The three-year Ave EPS was € 3.35 and the three-year Cum FCF was € 11,218 million, after normalisation to align them with policies in force when setting the target (notably IFRS 15 and A220 impacts).

LTIP 2016 PERFORMANCE ACHIEVEMENT

For reasons of confidentiality, the precise targets set for the average EPS and cumulative Free Cash Flow, even though they have been properly established in a proper manner, cannot be publicly disclosed as these objectives are in part linked to the Company's strategy. Nonetheless, for the sake of transparency and to ensure compliance with best practices, retrospective information demonstrating the stringency of the targets set by the Board of Directors is provide for the previous LTIP, as follows:

Date of grants	KPI	Number of units	Target for a 100% allocation	Achieved	Performance achievement in percentage	Compounded performance achievement in percentage	Resulting vesting in number	For comparison, average EPS for the last 3 reported years at the date of grant
2014	Ave EPS Cum FCF	12,640	€ 3.31 € 4,298m	€ 2.81 € 9,741m	56% 150%	80%	10,112	€ 1.51*
2015	Ave EPS Cum FCF	10,656	€ 4.02 € 8,281m	€ 2.95 € 10,469m	50% 150%	75%	7,992	€ 2.10**
2016	Ave EPS Cum FCF	11,392	€ 4.40 € 5,774m	€ 3.35 € 11,218m	50% 150%	75%	8,544	€ 2.76***

** Average EPS of 2013, 2012 and 2011.*

*** Average EPS of 2014, 2013 and 2012.*

**** Average EPS of 2015, 2014 and 2013.*

e) Share Ownership

The CEO owned 8,407 Company shares on 31 December 2019. The CEO has engaged a personal investment plan in Airbus' shares to reach the target of 200% of the Base Salary by 2021.

Please refer to the AFM website www.afm.nl for any further information related to the transactions of the CEO.

f) Employee Share Ownership Plan (ESOP)

In March 2019, the Company offered all eligible employees the opportunity to subscribe to a share matching plan, through which the Company matches a certain number of directly acquired shares with a grant of matching shares. This ratio varies depending on the number of shares acquired at fair market value by the employees, with a maximum discount of 44%. The total offering was up to 2.2 million shares of the Company, open to all qualifying employees. Information about the plan can be found on the Company's website.

Under the umbrella of the ESOP 2019, a dedicated UK tax advantageous Share Incentive Plan ("SIP") was also deployed in March 2019.

Although the CEO was eligible for the plan, he did not participate in the ESOP 2019 plan favouring the development of a shareholding among other employees of the Company.

g) Benefits

Costs of benefits provided through applicable mandatory collective and social security plans are accounted for among social charges (please refer to Note 34 to the IFRS Consolidated Financial Statements for further details). The monetary value of other benefits provided to the CEO in 2019 amounts to € 33,802.

h) Retirement

Considering the seniority of the CEO, the new pension policy proposed in paragraphs 4.4.2 item h) and 4.4.3 will coexist with the former pension plan.

Until the end of 2019, the retirement benefit of the CEO accrued through a defined benefit commitment which consists of granting a pension at retirement age equal to 50% of the Base Salary for five years of service in the Executive Committee, including mandatory applicable collective and state pension plans. Such a percentage of pension would accrue gradually to 60% of the Base Salary after ten years of service within the Executive Committee.

Following the Board decision to move from defined benefit commitment to contributions based plans and in line with a new French regulation, the accrued pension rights under this commitment have been frozen based on the seniority of the CEO as Executive Committee member at the end of 2019. A target replacement ratio has therefore been set at 52% of his Base Salary (i.e. 26% of the sum of his Base Salary and his target VR) and will no longer accrue. The pension rights under this commitment remain unvested until the retirement date of the CEO.

The pension rights arising from the Company's defined contribution plan (i.e. contribution of 20% of the pensionable remuneration, which is the Base Salary and the most recently paid VR) are deducted from the frozen pension rights described above.

The present value of the remaining CEO's pension obligation related to the frozen defined benefit commitment is estimated annually by an independent actuarial firm according to the international accounting standard IAS19 as applied by the Company for post-employment benefits. As of 31 December 2019, the defined benefit obligation amounted to € 9,167,371. This obligation has been accrued in the 2019 Consolidated Financial Statements and will be updated annually up to the retirement date of the CEO considering future changes on economic assumptions or other factors like salary increase.

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

The annual cost of pension rights accrued under applicable mandatory collective and state pension plans are accounted for among social charges (please refer to Note 34 to the IFRS Consolidated Financial Statements for further details).

i) Clawback

The Board of Directors did not apply any clawback in 2019.

j) Pay ratio

The Dutch Corporate Governance Code recommends that the Company provides a ratio comparing the compensation of the CEO and that of a "representative reference group" determined by the Company.

The Airbus pay ratio is calculated by comparing the cash compensation of the CEO with the average compensation of full-time equivalent permanent employees from France, Germany, the U.K. and Spain for Airbus, excluding subsidiaries (encompassing around 94,000 employees).

The aggregate cash compensation over the 2019 fiscal year was used as a reference amount (i.e., excluding the value of equity incentive awards and other non-cash compensation components). To calculate the ratio, the gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums was taken into account.

Based on this methodology, the ratio between the cash compensation of the CEO (i.e. the aggregated Base Salary amount for the former and current CEO and VR related to 2018) and the average compensation of full-time equivalent permanent employees for the fiscal year to which this report relates is 49 (for 2018: 50 as restated based on exact figures) (rounded to the nearest integer).

k) Severance

No payment has been made to the CEO in 2019 related to severance or other termination indemnity.

Under the current CEO's appointment terms and conditions, the payment of an indemnity in case of termination would be subject to performance conditions. These conditions would be fulfilled if the collective and individual components of the VR for the last 2 financial years preceding the financial year during which the termination occurs have been assessed by the Board of Directors at 100% or more.

C — Implementation of the Remuneration Policy in 2019: former CEO

On 10 April 2019, Thomas Enders left the Company as CEO and Executive Member of the Board of Directors.

As disclosed in the 2018 Report of the Board of Directors, Mr Enders received for the year 2019 € 420,455 as prorated Base Salary and € 416,096 as prorated VR in 2019.

As already mentioned in the 2018 Report of the Board of Directors, Mr Enders was entitled to a non-compete remuneration, which lead to a payment of € 2,134,838 in 2019.

For further details please refer to chapter 4.4.4 of the 2018 Report of the Board of Directors available on the Company's website (www.airbus.com).

D — Development of the compensation

The table below provides an overview of the development of the direct cash compensation paid to the CEO during a financial year composed by the Base Salary plus the VR (as defined below) and of the Employee Compensation (as defined below).

Financial year	2019	2018	2017	2016	2015
I. CEO's direct cash compensation					
Annual Base Salary (k€)	1,392(1)	1,500	1,500	1,500	1,400
VR (k€) (2)	2,318	2,168	1,913	1,932	1,939
Total	**3,710**	**3,668**	**3,413**	**3,432**	**3,339**
Annual Variation	+1.1%	+7.5%	-0.6%	+2.8%	
II. Long Term Incentive Plan (k€) (3)	1,350	-	1,500	1,500	1,400
III. Company Performance					
EBIT Adjusted (m€) (4)	6,946	5,834	4,253	3,955	4,132
Annual Variation	+19%	+37%	+8%	-4%	
FCF before M&A and customer financing (m€) (4)	3,509	2,912	2,949	1,408	1,175
Annual variation	+21%	-1%	+109%	+20%	
IV. Employee Compensation (k€) (5)	75,1	73,6	71,0	71,1	70,6
Annual Variation	+2.0%	+3.6%	0.0%	+0.6%	

(1) Base salary 2019 relates to the former CEO up to 10 April 2019 and to the current CEO from 10 April 2019.

(2) VR paid during the financial year at stake in relation to the previous financial year.

(3) Face value of LTIP granted in the financial year. No LTIP were granted in 2018 to the CEO due to his future departure.

(4) Before 2016, Airbus used the key indicators "EBIT before one-offs" and "FCF before M&A".

(5) Average compensation of full-time equivalent permanent employees from France, Germany, the U.K. and Spain for Airbus, excluding subsidiaries, composed by gross sum of the Base Salary, annual bonus, profit and success sharing, overtime, premium for work conditions and other premiums. For the 2019 financial year, the amount presented is still an estimate and will be adjusted next year.

4.4.5 IMPLEMENTATION OF THE REMUNERATION POLICY IN 2019: NON-EXECUTIVE DIRECTORS

This section describes how the Remuneration Policy was implemented in 2019 in respect of the Non-Executive Directors. In line with the Remuneration Policy, the implementation thereof with regard to the Non-Executive Directors aims at ensuring fair compensation and protecting the independence of the Board's Members. Their remuneration should be commensurate to the time spent and the responsibilities of their role on the Board of Directors.

The last review of the Board remuneration was undertaken in 2018 with the support of an independent consultant. The Board remuneration is in line with market practice, incentivises attendance and recognises the strategic role played by the Board of Directors in Airbus' developments. The CEO is the only Member of the Board of Directors who is not entitled to any Board membership fee.

In 2019, Non-Executive Members of the Board were entitled to the following fees:

a) Board fees:

- Fixed fee for membership of the Board (EUR / year):
  - Chairman of the Board: 210,000
  - Member of the Board: 80,000

- Attendance fees (EUR / Board meeting):
  - Chairman: 15,000
  - Member: 10,000

  Attendance fees shall decrease by 50% in case of an attendance by phone or a Board meeting held by phone.

b) Committee fees:

- Fixed fee for membership of a Committee (EUR / year):
  - Chairman: 30,000
  - Member of a Committee: 20,000
- Attendance fee for membership of a Committee applicable to chair and members (EUR / additional meeting above four meetings per Committee per year, whether these meetings were held physically or by phone):
  - Physical participation: 3,000 if the chair or member is based in Europe and double attendance fee amount, i.e. 6,000 if the chair or member is based outside Europe
  - Participation by phone (whether the meeting is held physically or by phone): 1,500

For personal reasons, and with regards to the implementation of the Remuneration Policy approved at the Annual General Meeting in 2016, Denis Ranque decided in 2016 and onwards to waive the portion of his remuneration as Chairman of the Board of Directors which exceeds € 240,000 (his total target remuneration for 2015, based on six meetings per year and including chairmanship Board fixum and attendance fees) until further notice.

Taking into account the increased number of Board meetings in 2019, the remuneration of Denis Ranque for 2019 as Chairman of the Board of Directors (Board chairmanship fixum and attendance fees) is € 275,000.

Therefore, the Board recommended that the remuneration exceeding € 275,000 would be converted into an annual contribution to the Airbus Foundation, as long as Denis Ranque waived this part of his remuneration which corresponds to € 77,500 based on the number of Board meetings in 2019.

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

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

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

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

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

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

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

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

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

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

The total aggregated remuneration (i.e. fixum and attendance fee) of the Non-Executive Members of the Board of Directors were respectively € 2,080,403 in 2017, € 1,750,768 in 2016 and € 1,521,668 in 2015.

4.4.6 MISCELLANEOUS

Policy for Loans and Guarantees Granted

The Company's general policy is not to grant any loan to the Members of the Board of Directors. Unless the law provides otherwise, the Members of the Board of Directors shall be reimbursed by the Company for various costs and expenses, like reasonable costs of defending claims. Under certain circumstances, such as an act or failure to act by a Member of the Board of Directors that can be characterised as intentional, intentionally reckless, or seriously culpable, there will be no entitlement to this reimbursement. The Company has also taken out liability insurance ("**D&O**" – Directors & Officers) for the persons concerned.

4.5 Enterprise Risk Management System

Airbus' long-term development and production lifecycle make Enterprise Risk Management ("**ERM**") a crucial mechanism for both mitigating the risks faced by the Company and identifying future opportunities.

Applied across the Company and its main subsidiaries, ERM is a permanent top-down and bottom-up process, which is executed across Divisions at each level of the organisation. It is designed to identify and manage risks and opportunities. A strong focus is put on the operational dimension due to the importance of Programmes and Operations for Airbus.

ERM is an operational process embedded into the day-to-day management activities of Programmes, Operations and Functions. The top risks and their mitigations are reported to the Board of Directors through a reporting synthesis, consolidated on a quarterly basis.

The ERM system is articulated along five axes:

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

ERM Process

The objectives and principles for the ERM system, as endorsed by the Board of Directors, are set forth in the Company's ERM Policy and communicated throughout Airbus. The Company's ERM Policy is supplemented by directives, manuals, guidelines, handbooks, etc. External standards which contribute to the Company's ERM system include the standards as defined by the International Organisation for Standardisation ("**ISO**").

The ERM process consists of three elements:

- a strong operational dimension - derived from ISO 31000 - to enhance operational risk and opportunity management, looking in particular at identifying and mitigating Single Points of Failure (SPOF);
- a reporting dimension (bottom up and top down), which contains procedures for the status reporting of the ERM system and the risk/opportunity situation; and
- an ERM confirmation dimension, which comprises procedures to assess the effectiveness of the ERM system.

The ERM process applies to all relevant sources of risks and opportunities that potentially affect the Company's activities, its businesses and its organisation in the short-, mid- and long-term. The ERM process is part of the management process and inter-related with the other processes.

All Airbus organisations, including Divisions, subsidiaries and controlled participations, commit to and confirm the effective implementation of the ERM system. The annual ERM Confirmation Letter issued by each organisation is the formal acknowledgement about the effectiveness of the ERM system.

For the main risks to which Airbus is exposed, see "— Chapter 4.6 (Risk Factors)" of this document.

ERM Governance and Responsibility

The governance structure and related responsibilities for the ERM system are as follows:

- the Board of Directors with support of the Audit Committee supervises the strategy and business risk and opportunities, as well as design and effectiveness, of the ERM system;
- the CEO, with the top management, is responsible for an effective ERM system. He is supported by the CFO, who supervises the Head of ERM, and the ERM system design and process implementation;
- the Head of ERM has primary responsibility for the ERM strategy, priorities, system design, culture development and reporting tool. He supervises the operation of the ERM system and is backed by a dedicated risk management organisation in the Company focusing on the operational dimension, early warning and anticipation culture development while actively seeking to reduce overall risk criticality by challenging the business. The risk management organisation is structured as a cross-divisional Centre of Competence ("**CoC**") and pushes for a proactive risk management; and
- the management at executive levels has responsibility for the operation and monitoring of the ERM system in its respective areas of responsibility and for the implementation of appropriate response activities to reduce risks and seize opportunities, considering the recommendations of the internal and external auditors.

ERM Effectiveness

The ERM effectiveness is analysed by:

- ERM CoC, based on ERM reports, confirmation letters, *in situ* sessions (e.g. risk reviews), participation to key controls (e.g. major Programme Maturity Gate Reviews);
- Risk & Opportunity Deep Dives performed by the ERM CoC; and
- Corporate Audit, based on internal corporate audit reports.

The combination of the following controls is designed to achieve reasonable assurance about ERM effectiveness:

Organisation	Explanations
Board of Directors/ Audit Committee	**Regular monitoring** The Board of Directors and the Audit Committee review, monitor and supervise the ERM system. Any material failings in, material changes to, and/or material improvements of the ERM system which are observed, made and/or planned are discussed with the Board and the Audit Committee.
Top Management	**ERM as part of the regular divisional business reviews** Results of the operational risk and opportunity management process, self-assessments and confirmation procedures are presented by the Divisions or other Airbus' organisations to top management.
Management	**ERM confirmation letter procedure** Entities and department heads that participate in the annual ERM compliance procedures must sign ERM Confirmation Letters.
ERM CoC	**ERM effectiveness measurement** Assess ERM effectiveness by consideration of ERM reports, ERM confirmations, in situ sessions (risk reviews etc.), participation to key controls (e.g. major Programme Maturity Gate Reviews).
Corporate Audit	**Audits on ERM** Provide independent assurance to the Audit Committee on the effectiveness of the ERM system.
E&C	**Alert System** Detect deficiencies regarding conformity to applicable laws and regulations as well as to ethical business principles.

Board Declaration

Based on the Company's current state of affairs, the reports made directly available to the Board of Directors, coming from different processes, audits and controls and the information it received from management, the Board of Directors believes to the best of its knowledge that:

- the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- this report provides sufficient insight into any material failings in the effectiveness of the internal risk management and control systems;
- it is justified that the financial statements have been prepared on a going concern basis; and
- this report states the material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of 12 months after the preparation of the report.

It should be noted that no matter how well designed, the internal risk management and control system has inherent limitations, such as vulnerability to circumvention or overrides of the controls in place. Consequently, no assurance can be given that the Company's internal risk management and system and procedures are or will be, despite all care and effort, entirely effective.

4.6 Risk Factors

The Company is subject to the risks and uncertainties described below that may materially affect its business, results of operations and financial condition. These are not the only risks the Company faces. Additional risks and uncertainties not presently known to the Company, or that it currently considers immaterial may also impair its business and operations.

Although a certain degree of risk is inherent in the Company's business (as described in the risk factors mentioned in this section), the Company endeavours to minimise risk to the extent reasonably possible. To achieve its strategy, the Company is prepared to take modest or low event risks to provide sufficient predictability on profitability and cash flow given the necessity to stay competitive, invest in R&D and manage the diversified portfolio of business in a world of uncertain market and economic conditions. Due to the importance of programmes and operations for the Company, a particular focus is put on the operational dimension of risk identification and management. Within the area of legal and compliance risks, the Company seeks to ensure that its business practices conform to applicable laws, regulations and ethical business principles, while developing a culture of integrity. Regarding financial risks, our risk approach can be qualified as prudent and the Company aims to minimise the downside risk through appropriate liquidity buffer, the use of hedging derivatives and other insurance products.

4.6.1 FINANCIAL MARKET RISKS

Global Economic Concerns

The Company's business, results of operations and financial condition are materially affected by global economic conditions.

Market disruptions and significant economic downturns may develop quickly due to, among other things, crises affecting credit or liquidity markets, regional or global recessions, sharp fluctuations in commodity prices (including oil), currency exchange rates or interest rates, inflation or deflation, sovereign debt and bank debt rating downgrades, restructurings or defaults, or adverse geopolitical events (including the impact of Brexit, discussed below and global policy including in the US, European Union, China). The current US administration has introduced greater uncertainty with respect to US tax and trade policies, tariffs and government regulations affecting trade between the US and other countries. Such measures may affect countries where our customers and suppliers are located or where the Company has an operational presence or to which its financing activities are linked. See " – Risk Factors – Financial Market Risks – The Company's business, results of operations and financial condition could be materially affected by Brexit" and "– Risk Factors – Business-Related Risks – Availability of Government and other Sources of Financing".

The Company's global presence includes France, Germany, Spain and the United Kingdom ("**UK**"), fully-owned subsidiaries in the United States ("**US**"), China, Japan, India and in the Middle East, and spare parts centres in Hamburg, Frankfurt, Washington, Beijing, Dubai and Singapore. The Company also has engineering and training centres in Toulouse, Miami, Mexico, Wichita, Hamburg, Bangalore, Beijing and Singapore, as well as an engineering centre in Russia. There are also hubs and field service stations around the world. The Company also relies on industrial co-operation and partnerships with major companies and a wide network of suppliers. This global presence entails the risk of being affected by weak market and economic conditions in particular in Europe, the US and Asia where it manufactures and to which it sells the majority of its products.

As of 31 December 2019, the Company's workforce amounted to 134,931 employees of which over 15,000 employed outside our core countries. In terms of nationalities, 35.6% of the Company's employees are from France, 31.6% from Germany, 8.5% from the UK and 10.1% from Spain. US nationals account for 2.1% of employees. The remaining 12% are employees coming from a total of 142 other countries. In total, 90.1% of the Company's active workforce is located in Europe on more than 100 sites.

It is a priority to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements in each of the countries in which we have a presence. A change in economic conditions in any of the geographies in which we have significant numbers of employees or key employees may therefore impact our ability to compete effectively for employees in such countries.

Approximately 24,000 suppliers from more than 100 countries supply parts, components, systems and services to the Company. In 2018, the overall external sourcing volume of the Company was valued at around € 52 billion. We require our suppliers' and subcontractors' services in order to deliver our products and generate revenue and profit. Therefore financial instability in any part of the world that would affect our suppliers or subcontractors, including financial conditions resulting in their inability to obtain credit or even insolvency, could impact the Company's ability to meet its customer obligations in a satisfactory and timely manner. In addition, financial instability affecting suppliers or subcontractors could impact such parties' ability to meet their obligations under risk sharing partnership agreements entered into with the Company.

The behaviour of our customers and by extension, the demand for, and supply of, the Company's products and services may be materially affected by global economic conditions. Historically, the Company has experienced that order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables including gross domestic product ("**GDP**") growth and private consumption levels. A downturn in economic factors driving our commercial airline business, could lead to a weakening demand for our commercial aircraft. The significant growth of our commercial aircraft business relative to our Defence, Space and Government activities has diluted the latter's ability to serve as an effective tool to counter commercial cycles.

Demand for military and parapublic products may be further affected by governmental budget constraints caused by economic pressure.

Therefore weak global economic conditions could directly result in:

- requests by customers to postpone or cancel existing orders for aircraft (including helicopters) or decisions by customers to review their order intake strategy due to, among other things, lack of adequate credit supply from the market to finance aircraft purchases or change in operating costs or weak levels of passenger demand for air travel and cargo activity more generally, which could negatively impact the Company's results of operations;
- variations in public spending for defence, homeland security and space activities, which may lead to termination or reduction of future funding or cancellations or delays impacting existing contracts which could negatively impact the Company's results of operations; and
- an increase in the amount of sales financing that the Company must provide to its customers to support aircraft purchases, thereby increasing its exposure to the risk of customer defaults despite any security interests the Company might have in the underlying aircraft. See "— Risk Factors – Financial Market Risks – Sales Financing Arrangements".

In addition, in the Commercial Aircraft industry it is the industry standard to include revision clauses in sales and supplier contracts due to the long terms of such contracts. Such revision clauses can be based on one or multiple indices and, therefore, can evolve due to changes in economic measures on which such indices are based, thereby potentially negatively impacting the Company's results.

The Company generally finances its manufacturing activities and product development programmes, and in particular the development of new commercial aircraft, through a combination of flows generated by operating activities, customer advances, European Governments' refundable advances and risk-sharing partnerships with subcontractors. In addition, the Company's military activities benefit from government-financed research and development contracts. If necessary, the Company may raise funds in the capital markets. Weak economic circumstances leading to liquidity constraints or reduced availability of finance for the Company's customers, suppliers, European and other governments, and other risk sharing partners may affect the Company's ability to finance its product development programmes and raise funds in the capital markets.

The Company's financial results could also be negatively affected depending on gains or losses realised on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realised in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Although the potential negative impact of global economic conditions cannot reasonably be assessed, the consequences thereof could have a material effect on the Company's business, results of operations and financial condition, and in particular if these were to impact the Company's commercial aviation activities or otherwise impact its access to financing.

The Company's business, results of operations and financial condition could be materially affected by Brexit.

On 29 March 2017, the UK triggered Article 50 of the Lisbon Treaty, the mechanism to leave the European Union ("**Brexit**"), before having achieved a roadmap for the complex negotiations. The UK Government's Withdrawal Agreement was ratified and the UK left the EU in an orderly manner on 31 January 2020, opening a transition period until 31 December 2020. During this transition period, the European Union and the UK are continuing to negotiate their future long-term relationship, including around alignment of the regulatory framework for aviation. The full impact of Brexit on our business, results of operations and financial condition will only become clear once the negotiations between the European Union and the UK regarding withdrawal after the end of the transition period have concluded and clarified the general nature of the post-Brexit relationship. However, the Company's business and supply chain in particular may be materially affected by this uncertainty and by potentially a lack of agreement on the future long term relationship and/or divergent national laws and regulations between the European Union and the UK.

The critical issues amongst others are the increased cost base due to trade procedures, airworthiness efforts and difficulty to move people. For trade procedures (non-tariff cost) alone, an OECD study estimates the range of the recurring extra cost between 2% and 15% of overall trade. Because of the unprecedented and evolving nature of Brexit, it is difficult to estimate the cost impact it may have on the company. The Company recently generated a UK turnover of approximately £ 6 billion. Greater restrictions on the import and export of goods and services between the UK and the European Union in which the Company operates, along with increased regulatory and legal complexities, may lead to disruptions and greater costs in the Company's operations and supply chain. The Company has more than 2,000 suppliers in the UK and an integrated supply chain with parts crossing the Channel multiple times. More than 10,000 original aircraft parts originate in the UK. The Company's supply chain is operated on a just-in-time basis relying on frictionless trade today provided by the combination of the EU Customs Union and Single Market rules. Changes in the customs regime between the UK and the European Union could result in significant changes at borders and customs controls. An insufficient level of preparedness for such changes could significantly delay the import and export of goods, including goods which are transferred between Airbus (and its suppliers') entities in the UK and Airbus (and its suppliers') entities in the European Union, which may have a direct industrial and cost impact.

The design, production, maintenance, repair and overhaul and use of parts originating from UK aerospace companies follow tight regulations controlled by the UK certification authority within EASA, who delivers, for example, necessary Design Organisation Approval (DOA), Production Organisation Approval (POA) and Maintenance Organisation Approval (MOA). In the absence of a Brexit agreement, UK aerospace companies may not be covered anymore under existing regulatory approvals including EASA approvals. To secure transition without disruption, UK companies shall transfer their DOA, POA and MOA into the EU-27 and/or adhere to EASA's third country approval scheme.

Airbus has four major engineering and manufacturing facilities in the UK, 14,000 employees at 25 sites. Our people make 80,000 business trips between the UK and the European Union a year and we have 1,900 expatriates.

The Company employs a substantial amount of highly skilled employees in the UK. Limitations on the free movement of people and skilled labour could negatively affect competitiveness, in particular compared to market participants that are less reliant on movement of people and goods between the UK and the European Union, and have a material adverse effect on the Company's results. See also "— Risk Factors – Business-Related Risks – Major Research and Development Programmes".

The Company launched a major Brexit planning project in order to understand, eradicate and/or mitigate risks in the following areas: People, Certifications, Customs, Procurement & Supply Chain, Transport and Logistics, Export Control, Environment, Security, Capital & Financial Services, Legal.

The Company has been working with suppliers and partners to stockpile parts, prepare our customs and regulatory systems and mitigate impacts where possible, for example transport where the Company prepared additional means in advance of 31 March 2019, 31 October 2019 and 31 January 2020. The Company has been working with suppliers and partners to assess and improve their readiness level, and encouraging them to do the same with their supply chains.

In addition, the Company has established a quick reaction crisis management organisation to address any unknown events / risks which may occur.

Because the risk of the UK not reaching agreement with the European Union during the transitional period, or reaching an agreement that might have material consequences for the Company's business, cannot be excluded, the commercial aerospace, defence, space and security industries in which the Company operates may plunge into unknown territory, and the Company's operations and supply chain may still suffer from disruptions, the nature, materiality and duration of which is impossible to predict with any level of certainty. If the UK, either during the transitional period or following such period, would be considered by the European Union to be a third country without a privileged relationship with the European Union, the Company's business, results of operations and financial condition could be materially affected.

Foreign Currency Exposure

At the end of 2019, more than 75% of the Company's revenues are denominated in US dollars, with approximately 60% of such currency exposure "naturally hedged" by US dollar-denominated costs. To the extent that the Company 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.

There are complexities inherent in determining whether and when foreign currency exposure of the Company will materialise, in particular given the possibility of unpredictable revenue variations arising from order cancellations, postponements or delivery delays. The Company may also have difficulty in fully implementing its hedging strategy if its hedging counterparties are unwilling to increase derivatives risk limits with the Company, and is exposed to the risk of non-performance or default by these hedging counterparties. The exchange rates at which the Company is able to hedge its foreign currency exposure may also deteriorate, as the euro could appreciate against the US dollar for some time, as has been the case in the past and as higher capital requirements for banks result in higher credit charges for uncollateralised derivatives. Accordingly, the Company's foreign currency hedging strategy may not protect it from significant changes in the exchange rate of the US dollar to the euro and the pound sterling, in particular over the long term, which could have a negative effect on its financial condition and results of operations. In addition, the portion of the Company's US dollar-denominated revenues that is not hedged in accordance with the Company's hedging strategy will be exposed to fluctuations in exchange rates, which may be significant. As of 31 December 2019, the total hedge portfolio with maturities up to 2026 amounts to US$ 92.7 billion and covers a major portion of the foreign exchange exposure expected over the period of the operative planning.

Furthermore, the Company is exposed to certain other price risks such as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise the Company's profitability if not hedged.

Currency exchange rate fluctuations in currencies other than the US dollar in which the Company incurs its principal manufacturing expenses (mainly the euro) may affect the ability of the Company to compete with competitors whose costs are incurred in other currencies. This is particularly true with respect to fluctuations relative to the US dollar, as many of the Company's products and those of its competitors (*e.g.*, in the defence export market) are priced in US dollars. The Company's ability to compete with competitors may be eroded to the extent that any of the Company's principal currencies appreciates in value against the principal currencies of such competitors.

The Company's consolidated revenues, costs, assets and liabilities denominated in currencies other than the euro are translated into the euro for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the euro will, therefore, have an effect on the euro value of the Company's reported revenues, costs, earnings before interest and taxes ("EBIT"), other financial results, assets, liabilities and equity.

Sales Financing Arrangements

In support of sales, the Company may agree to participate in the financing of selected customers. Over the last three years (2017 to 2019), the average number of aircraft delivered in respect of which financing support has been provided by Airbus amounted to close to 0% of the average number of deliveries over the same period, i.e. one aircraft financed per year out of 794 deliveries per year on average.

The risks arising from the Company's sales financing activities may be classified into two categories: (i) credit risk, which relates to the customer's ability to perform its obligations under a financing arrangement, and (ii) aircraft value risk, which primarily relates to unexpected decreases in the future value of aircraft. Defaults by its customers or significant decreases in the value of the financed aircraft in the resale market may materially adversely affect the Company's business, results of operations and financial condition.

The Company's sales financing arrangements expose it to aircraft value risk, because it generally retains security interests in aircraft for the purpose of securing customers' performance of their financial obligations to the Company, and/or because it may guarantee a portion of the value of certain aircraft at certain anniversaries from the date of their delivery to customers. Under adverse market conditions, the market for used aircraft could become illiquid and the market value of used aircraft could significantly decrease below projected amounts. In the event of a financing customer default at a time when the market value for a used aircraft has unexpectedly decreased, the Company would be exposed to the difference between the outstanding loan amount and the market value of the aircraft, net of ancillary costs (such as maintenance and remarketing costs, *etc.*). Similarly, if an unexpected decrease in the market value of a given aircraft coincided with the exercise window date of an asset value guarantee with respect to that aircraft, the Company would be exposed to losing as much as the difference between the market value of such aircraft and the guaranteed amount, though such amounts are usually capped. Through the Airbus Asset Management department or as a result of past financing transactions, the Company is the owner of used aircraft, exposing it directly to fluctuations in the market value of these used aircraft.

In addition, the Company has backstop commitments to provide financing related to orders on Airbus' and ATR's backlog. The Company's sales financing exposure could rise in line with future sales growth depending on the agreement reached with customers. The Company remains exposed to the risk of defaults by its customers or significant decreases in the value of the financed aircraft in the resale market, which may have a negative effect on its future financial condition and results of operations.

Counterparty Credit

In addition to the credit risk relating to sales financing as discussed above, the Company is exposed to credit risk to the extent of non-performance by its counterparties for financial instruments, such as hedging instruments ($ 97.1 billion nominal value at 31 December 2019) and cash investments ($ 20.4 billion nominal value at 31 December 2019). However, the Company has policies in place to avoid concentrations of credit risk and to ensure that credit risk exposure is limited.

Counterparties for transactions in cash, cash equivalents and securities as well as for derivative transactions are limited to highly rated financial institutions, corporates or sovereigns. The Company's credit limit system assigns maximum exposure lines to such counterparties, based on a minimum credit rating threshold as published by Standard & Poor's and Moody's. If neither is present, Fitch ratings is used. Besides the credit rating, the limit system also takes into account fundamental counterparty data, as well as sector and maturity allocations and further qualitative and quantitative criteria such as credit risk indicators. The credit exposure of the Company is reviewed on a regular basis and the respective limits are regularly monitored and updated.

As of 31 December 2019 the credit exposure had been estimated as follows:

Source of risk	Exposure	Unexpected Loss Contribution
Banks	4,277	45
Corporates	8,046	190
Sovereign Issuers	1,011	6
Money Market Funds	7,012	10
Total	**20,346**	**251**

The Company also seeks to maintain a certain level of diversification in its portfolio between individual counterparties as well as between financial institutions, corporates and sovereigns in order to avoid an increased concentration of credit risk on only a few counterparties.

However, there can be no assurance that the Company will not lose the benefit of certain derivatives or cash investments in case of a systemic market disruption. In such circumstances, the value and liquidity of these financial instruments could decline and result in a significant impairment, which may in turn have a negative effect on the Company's financial condition and results of operations.

Moreover, the progressive implementation of new financial regulations (MiFiD II / MiFIR, CRD4, Bank Restructuring Resolution Directive, etc.) will have an impact on the business model of banks (for example, the split between investment banking and commercial banking activities) and on the capital structure and cost of such banks' activities in relation to over-the-counter derivatives, and therefore on the funding consequences of central clearing and collateralisation of over-the-counter derivatives for corporations like the Company. This may ultimately increase the cost and reduce the liquidity of the Company's long-term hedges, for example, as banks seek to either pass-on the additional costs to their corporate counterparties or withdraw from low-profit businesses altogether.

Pension Commitments

The Company participates in several pension plans for both executive as well as non-executive employees, some of which are underfunded. As of 31 December 2019, the provision for retirement plans and similar obligations amounted to € 8.353 billion. For information related to these plans, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 31: Post-employment Benefits". Although the Company has recorded a provision in its balance sheet for its share of the underfunding based on current estimates, there can be no assurance that these estimates will not be revised upward in the future, leading the Company to record additional provisions in respect of such plans.

Necessary adjustments of such provisions include but are not limited to (i) the discount factor (dependent in part on interest rates) and the inflation rate applied to calculate the net present value of the pension liabilities, (ii) the performance of the asset classes which are represented in the pension assets, and (iii) behavioural assumptions regarding beneficiaries, and (iv) additional cash injections contributed by the Company from time to time to the pension assets. The Company has taken measures to reduce potential losses on the pension assets and to better match the characteristics of the pension liabilities with those of the pension assets as a long-term objective. Nevertheless, any required additional provisions would have a negative effect on the Company's total equity (net of deferred taxes), which could in turn have a negative effect on its future financial condition.

4.6.2 BUSINESS-RELATED RISKS

Commercial Aircraft Market Factors

Historically, the Company has experienced that order intake for commercial aircraft has shown cyclical trends, due in part to changes in passenger demand for air travel and the air cargo share of freight activity, which are in turn driven by a range of economic variables, such as gross domestic product ("**GDP**") growth, private consumption levels or working age population size. Other factors, however, play an important role in determining the market for commercial aircraft, such as (i) the average age and technical obsolescence of the fleet relative to new aircraft, (ii) the number and characteristics of aircraft taken out of service and parked pending potential return into service, (iii) passenger and freight load factors, (iv) airline pricing policies and resultant yields, (v) airline financial health and the availability of third party financing for aircraft purchases, (vi) evolution of fuel price, (vii) regulatory environment, (viii) environmental constraints imposed upon aircraft operations, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), carbon standards and other environmental taxes; and (ix) market evolutionary factors such as the growth of low-cost passenger airline business models or the impact of e-commerce on air cargo volumes.

The factors described above may have a material impact on the commercial aircraft industry and, therefore, on the Company's financial condition and results of operations. In 2019, the commercial aircraft business segment of Airbus recorded total revenues of € 54.77 billion – representing 75% of the Company's revenues. The significant growth of our commercial aircraft business relative to our Defence, Space and Government activities has diluted the latter's ability to serve as an effective tool to counter commercial cycles.

The commercial helicopter market in which the Company operates has shown cyclical trends and could also be influenced by factors listed above. In addition, the civil & parapublic and in particular the oil & gas market softness has led to, and may in future lead to, a postponement of investments in the acquisition of new platforms and a reduction of flight hours. Structural changes in demand for helicopters in the oil & gas segment are not anticipated at current oil price levels. However, this may change as oil & gas prices fluctuate. The uncertainty on the lead time of the civil and parapublic market recovery may have an impact on Airbus Helicopters' financial results and could lead to cancellations or loss of bookings and services.

Cyber Security Risks

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

The Company 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. Intrusion in systems, leakage of information or theft including industrial espionage, sabotage, corruption and availability of data and destabilisation are the main cyber security risks that the Company faces.

All of the above mentioned risks are heightened in the context of the Company's digital transformation, including greater use of cloud services, increasingly capable adversaries, integration with the extended enterprise, increasing use of the "internet of things" and the growing prevalence of mobile devices. Risks related to the Company's industrial control systems, manufacturing processes and products are growing with the increase of interconnectivity and digitalisation. The growing gap developing between the defences of legacy industrial systems and the capabilities of potential attackers as well as an increasingly competitive landscape of the Company is also at stake.

Finally, the Company is exposed to reputational damage and destabilisation from the growing volume of false and malicious information injected to media and social networks.

While the Company continues to make significant efforts to prevent such risks from materialising, making targeted investments will reduce but not eradicate likelihood and impact through strengthening the business cyber 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.

Physical Security, Terrorism, Pandemics and Other Catastrophic Events

Past terrorist attacks and the spread of disease (such as the Coronavirus or the H1N1 flu pandemic or the Ebola epidemic in 2013-2016) have demonstrated that such events may negatively affect public perception of air travel safety, which may in turn reduce demand for air travel and commercial aircraft. The outbreak of wars, riots or political unrest or uncertainties may also affect the willingness of the public to travel by air. Furthermore, major aircraft accidents may have a negative effect on the public's or regulators' perception of the safety of a given class of aircraft, a given airline, form of design or air traffic management. As a result of such factors, the aeronautic industry may be confronted with sudden reduced demand for air transportation and be compelled to take costly security and safety measures. The Company may, therefore, suffer from a decline in demand for all or certain types of its aircraft or other products, and the Company's customers may postpone delivery or cancel orders.

In addition to affecting demand for its products, catastrophic events could disrupt the Company's internal operations or its ability to deliver products and services. Disruptions may be related to threats to infrastructure, personnel security and physical security and may arise from terrorism, natural disasters, fire, damaging weather, and other types of incidents such as drone air traffic disruption. Any resulting impact on the Company's production, services or information systems could have a significant adverse effect on the Company's operations, financial condition and results of operations as well as on its reputation and on its products and services.

Dependence on Key Suppliers and Subcontractors

The Company is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts, assemblies, systems, equipment and services that it needs to manufacture its products.

The Company relies upon the good performance and financial health of its suppliers and subcontractors to meet the obligations defined under their contracts. A supplier's performance and health may be negatively impacted by a variety of topics including a concentrated customer base.

The Company cannot fully protect itself from non-performance of a supplier which could disrupt production and in turn may have a negative effect on its financial condition and results of operations.

Changes to the Company's production or development schedules may impact suppliers so that they initiate claims under their respective contracts for financial compensation. This may have a negative effect on the financial condition and results of operations of the Company.

As the Company'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 or natural disasters which could interrupt deliveries. This may have a negative effect on the financial condition and results of operations of the Company. See

"— Risk Factors – Financial Market Risks – The Company's business, results of operations and financial condition could be materially affected by Brexit".

Industrial Ramp-Up

As a result of the large number of new orders for aircraft recorded in recent years, the Company continues the process of sustainable production increase in order to meet the agreed upon delivery schedules for such new aircraft. The Company's ability to further increase its production rate will be dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, parts (such as aluminium, titanium and composites) and skilled employees given the high demand by the Company and its competitors, conversion of raw materials into parts and assemblies, and performance by suppliers and subcontractors (particularly suppliers of engines and buyer-furnished equipment) who may experience resource or financial constraints due to ramp-up. Management of such factors is also complicated by the development of new aircraft programmes in parallel, across Airbus and the two Divisions, which carry their own resource demands. Therefore, failures relating to any or all of these factors could lead to missed or delayed delivery commitments, and depending on the length of delay in meeting delivery commitments, could lead to additional costs and customers' rescheduling or terminating their orders. The associated risks may increase as the Company and its competitors announce further production rate increases. For more details on specific programme ramp-up risks, see "— Programme-Specific Risks" below.

Technologically Advanced Products and Services

The Company offers its customers products and services that are technologically advanced, so the design, manufacturing, components and materials utilised can be complex and require substantial integration and coordination along the supply chain. In addition, most of the Company's products must function under demanding operating conditions. Throughout the lifecycle of its products, the Company performs checks and inspections, which may result in modifications, retrofits or other corrective actions, each of which may have an adverse effect on production, operations, in-service performance or financial condition. There can be no assurance that the Company's products or services will be successfully developed, manufactured or operated or that they will perform as intended.

Certain of the Company's contracts require it to forfeit part of its expected profit, to receive reduced payments, to provide a replacement launch or other products or services, to provide cancellation rights, or to reduce the price of subsequent sales to the same customer if its products fail to be delivered on time or to perform adequately. No assurances can be given that performance penalties or contract cancellations will not be imposed should the Company fail to meet delivery schedules or other measures of contract performance — in particular with respect to new development programmes such as the A220, A350-900 and -1000 XWB, A400M, H175, H160 or Ariane 6 and to modernisation programmes such as the A320neo and the A330neo. See "— Programme-Specific Risks" below.

In addition to the risk of contract cancellations, the Company may also incur significant costs or loss of revenues in connection with remedial action required to correct any performance issues detected in its products or services. Moreover, to the extent that a performance issue is considered to have a possible impact on safety, regulators could suspend the authorisation for the affected product or service.

Any significant problems with the development, manufacturing, operation, performance or safety of the Company's products and services could have a significant adverse effect on the Company's financial condition and results of operations as well as on the reputation of the Company and its products and services.

Dependence on Public Spending and on Certain Markets

In any single market, public spending (including defence and security spending) depends on a complex mix of geopolitical considerations and budgetary constraints, and may therefore be subject to significant fluctuations from year to year and country to country. Any termination or reduction of future funding or cancellations or delays impacting existing contracts may have a negative effect on the Company's financial condition and results of operations. In instances where several countries undertake to enter together into defence or other procurement contracts, economic, political or budgetary constraints in any one of these countries may have a negative effect on the ability of the Company to enter into or perform such contracts.

The Company has a geographically diverse backlog. Adverse economic and political conditions, as well as downturns in broad economic trends in certain countries or regions, may have a negative effect on the Company's financial condition and results of operations generated in those regions.

Availability of Government and Other Sources of Financing

From 1992 to 2004, the European Union and the US operated under an agreement that sets the terms and conditions of financial support that governments may provide to civil aircraft manufacturers. In late 2004, however, the US unilaterally withdrew from this agreement, which eventually led to the US and the European Union making formal claims against each other before the World Trade Organization ("**WTO**"). While both sides have expressed a preference for a negotiated settlement that provides for a level playing field when funding future aircraft developments, they have thus far failed to reach agreement on key issues.

Separately, Brazil has initiated WTO proceedings citing Canadian support to the C-Series aircraft, the aircraft that the Company manufactures, markets and supports as the A220 aircraft under the Airbus Canada Limited Partnership (prior to 1 June 2019 known as the "C Series Aircraft Limited Partnership" (CSALP)) agreement, finalised in 2018. Here too, a negotiated outcome would be preferable. Domestic proceedings in the US based on alleged subsidies to the C-Series were dismissed. The terms and conditions of any new agreement, or the final outcome of the formal WTO or other trade law proceedings, may limit access by the Company to risk-sharing funds for large projects, may establish an unfavourable balance of access to government funds by the Company as compared to its US competitors or may in an extreme scenario cause the involved governments to analyse possibilities for a change in the commercial terms of funds already advanced to the Company.

On 18 October 2019, the US imposed, among other targeted goods, a tariff of 10% on new aircraft exported from the European Union to the US. Airbus deliveries to the US from the FAL in Mobile are exempted from tariffs. Considering the current political environment and absent an agreed negotiated settlement, the tariffs affect the delivery of new Airbus aircraft to the US market and may have a negative effect on the Company's financial condition and results of operations. The Company cannot predict at this time the impact on it or on the industry as a result of the imposition of tariffs, and accordingly cannot give any assurance that it will not be adversely affected. See WTO in "— Risk Factors – Legal Risks – Legal and Regulatory Proceedings".

In prior years, the Company and its principal competitors have each received different types of government financing of product research and development. However, no assurances can be given that government financing will continue to be made available in the future, in part as a result of the proceedings mentioned above. Moreover, the availability of other outside sources of financing will depend on a variety of factors such as market conditions, the general availability of credit, the Company's credit ratings, as well as the possibility that lenders or investors could develop a negative perception of the Company's long- or short-term financial prospects if it incurred large losses or if the level of its business activity decreased due to an economic downturn. The Company may, therefore, not be able to successfully obtain additional outside financing on appropriate terms, or at all, which may limit the Company's future ability to make capital expenditures, fully carry out its research and development efforts and fund operations.

Competition and Market Access

The markets in which the Company operates are highly competitive. With regard to the Company's commercial aircraft business for aircraft with more than 150 seats, the Company today operates in a competitive duopoly. The design, development and production of commercial aircraft involves high barriers to entry (including certification requirements, large investment needs, skilled competencies and access to technology) and the two main market participants have secured significant order backlogs.

In some areas, competitors may have more extensive or more specialised engineering, manufacturing and marketing capabilities. In addition, some of the Company's largest customers and/or suppliers may develop the capability to manufacture products or provide services similar to those of the Company. This would result in these customers/suppliers marketing their own products or services and competing directly with the Company for sales of these products or services, all of which could significantly reduce the Company's revenues. Further, new players are operating or seeking to operate in the Company's existing markets, which may impact the structure and profitability of these markets. In addition, enterprises with different business models and alternative technologies could substitute some of the Company's products and services. There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that the competitive pressures it faces in all business areas will not result in reduced revenues, market share or profit.

In addition, the contracts for many aerospace and defence products are awarded, implicitly or explicitly, on the basis of home country preference. Although the Company is a multinational company which helps to broaden its domestic market, it may remain at a competitive disadvantage in certain countries, especially outside of Europe, relative to local contractors for certain products. The strategic importance and political sensitivity attached to the aerospace and defence industries means that political considerations will play a role in the choice of many products for the foreseeable future.

Major Research and Development Programmes

The business environment in many of the Company's principal operating business segments is characterised by extensive research and development costs requiring significant up-front investments with a high level of complexity. For the year 2019, research and development expenses were € 3.4 billion. For the year 2018, research and development expenses were € 3.2 billion, mainly reflecting development cost on the A320neo.

Due to the technologically advanced complex nature of the products that the Company produces and the long period, including ramp up time, it takes to produce them, the business plans underlying such investments often contemplate a long payback period before these investments are recouped, and assume a certain level of return over the course of this period in order to justify the initial investment. There can be no assurances that the commercial, technical and market assumptions underlying such business plans will be met, and consequently, the payback period or returns contemplated therein achieved.

Successful development of new programmes also depends on the Company's ability to attract and retain aerospace engineers and other professionals with the technical skills and experience required to meet its specific needs. Demand for such engineers may often exceed supply depending on the market, resulting in intense competition for qualified professionals. The Company's attrition rate in 2019 was 4.4% overall (incl. subsidiaries) and 8.43% in subsidiaries only (compared to 4.9% overall and 8.51% in subsidiaries only in 2018). There can be no assurances that the Company will attract and retain the personnel it requires to conduct its operations successfully and in particular to attract and retain aerospace engineers and other professionals with the technical skills and experience required for its research and development programmes. Failure to attract and retain such personnel or an increase in the Company's employee turnover rate could negatively affect the Company's financial condition and results of operations more generally and particularly its ability to successfully execute its research and development programmes.

No assurance can be given that the Company will achieve the anticipated level of returns from these programmes and other development projects, which may negatively affect the Company's financial condition and results of operations and competitiveness.

In the context of the post-Brexit relationship between the UK and the European Union, there is a risk that the Company might lose access to pooled expertise and knowledge and could face disruptions within its interdependent and extensively integrated research and innovation networks across the UK and the European Union countries. The Company may also face lack of certainty with respect to intellectual property rights for existing or new programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the European Union.

Acquisitions, Divestments, Joint Ventures and Strategic Alliances

As part of its business strategy, the Company may acquire or divest businesses and/or form joint ventures or strategic alliances. Executing acquisitions and divestments can be difficult and costly due to the complexities inherent in integrating or carving out people, operations, technologies and products. There can be no assurance that any of the businesses that the Company intends to acquire or divest can be integrated or carved out successfully, as timely as originally planned or that they will perform well and deliver the expected synergies or cost savings once integrated or separated. In addition, regulatory, administrative or other contractual conditions can prevent transactions from being finalised. The Company's business, results of operations and financial condition may be materially affected if these transactions will not be successfully completed or do not produce the expected benefits.

Public-Private Partnerships and Private Finance Initiatives

Defence customers may request proposals and grant contracts under schemes known as public-private partnerships ("**PPPs**"). PPPs differ substantially from traditional defence equipment sales, as they often incorporate elements such as:

- the provision of extensive operational services over the life of the equipment;
- continued ownership and financing of the equipment by a party other than the customer, such as the equipment provider;
- mandatory compliance with specific customer requirements pertaining to public accounting or government procurement regulations; and
- provisions allowing for the service provider to seek additional customers for unused capacity.

The Company is party to PPP and private finance initiatives ("PFI") contracts, for example Skynet 5 and related telecommunications services, and in the AirTanker (FSTA) project both with the UK MoD. One of the complexities presented by PFIs lies in the allocation of risks and the timing thereof among different parties over the life-time of the project.

There can be no assurances of the extent to which the Company will efficiently and effectively (i) compete for future PFI or PPP programmes, (ii) administer the services contemplated under the contracts, (iii) finance the acquisition of the equipment and the ongoing provision of services related thereto, or (iv) access the markets for the commercialisation of excess capacity. The Company may also encounter unexpected political, budgetary, regulatory or competitive risks over the long duration of PPP and PFI programmes.

Programme-Specific Risks

In addition to the risk factors mentioned above, the Company also faces the following programme-specific risks that could have a material impact on the Company's financial condition and results of operations:

A320neo programme. In connection with the A320neo programme, the Company faces the following main challenges: A320neo (new engine option) ramp up including the A321neo ACF (Airbus Cabin Flex) with its new airframe and cabin design; management of the internal and external supply chain pressure as a result of the industrial ramp-up; ensuring maturity and high quality service support for a growing number of operators of A320neo. The main focus will be with the further ramp-up for the Company and both engine suppliers. For both engine suppliers, challenges are to (i) meet the delivery commitments in line with agreed schedule and ensure sufficient engine availability; (ii) fix in-service maturity issues in line with the Company and customer expectations and mitigate the associated consequences; (iii) manage engine upgrades and performance. Two new versions will be launched for the A320 family: the Airspace Cabin and the A321 XLR, respectively in early 2021 and in 2023.

A400M programme. The Company signed a contract amendment to restructure the contract. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines and on cost reductions as per the revised baseline. For further information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 10: Revenues and Gross Margin".

A350 XWB programme. In connection with the A350 XWB programme, the Company faces the following main challenges: ensuring satisfaction of operators and high quality support to their operations; maintaining supply chain performance and production ramp-up; controlling and reducing the level of outstanding work in final assembly line; reducing recurring costs during the ongoing ramp-up; maintaining customisation and ramp-up of Heads of Version; maintaining the development schedule in line with learning curve assumptions beyond the initial ramp up phase of A350-1000 XWB; maintaining attention on engine development; and customer support for new type in service.

A380 programme. In connection with the A380 programme, the Company faces the following main challenges: programme wind-down and manage in service issues.

A330 programme. In connection with the A330 programme, the main challenge the Company faces is to manage the new production plan of the A330neo. Given the current overall customer demand for widebody aircraft, the Company will retain a 3.5 rate. The A330neo development progresses. For the engine supplier, the main challenges relate to meeting the delivery commitments and ensuring engine maturity.

A220 programme. In connection with the A220 programme, the main challenges the Company faces are to build commercial momentum, ramp up production and reduce costs.

H225 programme and AS332 L2 fleet. In connection with the H225 programme and the AS332 L2 fleet, the Company faces the following main challenges: since the crash in April 2016 of a H225 in Norway (LN-OJF accident), the Company is dealing with protective measures validated by EASA who lifted the flight suspension on 7 October 2016 and by UK and Norwegian aviation authorities on 7 July 2017 to put the fleet back into flight operations. Publication of the final AIBN report in July 2018 confirmed the work on incremental improvements on the H225 as part of its ongoing, continuous improvement. The contributing factors of the LN-OJF accident have been identified, and the sequence of events has been understood and reproduced during recent testing. Airbus Helicopters continues to drive improvements across its product range as part of its commitment to raise safety standards and increase the robustness and reliability of dynamic components. The new challenge of the programme is to secure the industrial ramp-up in order to fulfil 2020 and 2021 deliveries.

H175 programme. In connection with the H175 programme produced in cooperation with Avic, the Company faces the following main challenges: today, the VIP and Public Services configurations are in delivery mode, the Company is now working on the maturity plan of the aircraft with the associated customer support. Exchanges took place in 2019 with key H175 customers to review the proposed maturity plan, share and challenge the identified solutions and prepare the deployment plan.

NH90 and Tiger programmes. In connection with the NH90 programme, the Company is working to mitigate possible impact on the 2020-2021 deliveries of the interruption of the Titanium supply due to the export license withdrawn by the Russian export authorities. In connection with multiple fleets entering into service, the NH90 programme faces the challenge of assuring support readiness while working on the deliveries of new contracts signed in 2018 and 2019. As for the Tiger programme, the last serial aircraft will be delivered Q1 2020. The Company is working on the conversion from HAP to HAD.

H160 programme. In connection with the H160 programme, the Company is completing the last paperwork activities to get the EASA Type Certification and then the FAA validation. The following challenges include the delivery of the first helicopter for an EIS by year-end 2020, together with a mature support environment (tech pub, tools, training). Another challenge is to manage the industrial ramp-up of the supply chain.

Border security. In connection with border security projects, the Company faces the following main challenges: meeting the schedule and cost objectives taking into account the complexity of the local infrastructures to be delivered and the integration of commercial-off-the-shelf products (radars, cameras and other sensors) interfaced into complex system networks; assuring efficient project and staffing; managing the rollout including subcontractors and customers. Negotiations on change requests and schedule re-alignments remain ongoing. Due to the repeatedly prolonged suspension of defence export licenses to Saudi Arabia by the German Government, and the consequential inability of the Company to execute a customer contract, a revised Estimate at Completion (EAC) was performed. As a result a € 221 million impairment charge mainly on inventories on top of a € 112 million financial expense related to hedge ineffectiveness, have been recognised as of 30 September 2019. The Company is engaging with its customer to agree a way forward on this contract. The outcome of these negotiations is presently unclear but could result in significant further financial impacts.

4.6.3 LEGAL RISKS

Legal and Regulatory Proceedings

The Company is currently engaged in a number of active legal and regulatory proceedings.

For example, the WTO litigation, which is described in "— Risk Factors – Business-Related Risks – Availability of Government and other Sources of Financing", is ongoing. The United States Trade Representative ("USTR") imposed tariffs on a range of imports to the US from the EU, including 10% on the importation of large civil aircraft from the EU. Those tariffs went into effect on 18 October 2019. The duration of the tariffs (and any change to the amount thereof) will depend on the USTR, and could have a material impact on the financial statements, business and operations of the Company. At this stage it is too early to determine the full extent of any financial impact on the Company. For more information on the WTO litigation and trade dispute, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims".

The Company expects to continue to spend time and incur expenses associated with its defence of legal and regulatory proceedings, regardless of the outcome, and this may divert the efforts and attention of management from normal business operations. Although the Company is unable to predict the outcome of these 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 Company's business, results of operations and financial condition. An unfavourable ruling could also negatively impact the Company's stock price and reputation.

In addition, the Company 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. In addition to the risk of an unfavourable ruling against the Company, any such inquiry or investigation could negatively affect the Company'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. See "— Non-Financial Information — 6.1.3(a) Responsible Business — Ethical Business Practices".

For the investigation by the UK Serious Fraud Office (SFO), France's Parquet National Financier (PNF), and the US Departments of State and Justice, which is described in "— Risk Factors – Legal Risks – Anticorruption Laws and Regulations", the Company has reached an agreement with the authorities, which was approved by the French and UK courts and US court and regulator on 31 January 2020. The agreement resulted in a fine totalling € 3.6 billion plus costs to the French, UK, and US authorities. For more information about the investigation, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims" (Investigation by the UK SFO, France's PNF, and US Departments of State and Justice and Related Commercial Litigation).

Anti-Corruption Laws and Regulations

The Company is required to comply with applicable anti-bribery laws and regulations in jurisdictions around the world where it does business. To that end, an anti-corruption programme has been put in place that seeks to ensure adequate identification, assessment, monitoring and mitigation of corruption risks. Despite these efforts, ethical misconduct or non-compliance with applicable laws and regulations by the Company, its employees or any third party acting on its behalf could expose it to liability or have a negative impact on its business.

The Company may be subject to administrative, civil or criminal liabilities including significant fines and penalties, as well as suspension or debarment from government or non-government contracts for some period of time. The Company may also be required to modify its business practices and compliance programme and/or have a compliance monitor imposed on it. Any one or more of the foregoing could have a significant adverse effect on the Company's reputation and its business, results of operations and financial condition.

In 2016, for example, the Company announced that it had discovered misstatements and omissions in certain applications for export credit financing for Airbus customers, and had engaged legal, investigative and forensic accounting experts to conduct a review. Separately, the UK SFO announced that it had opened a criminal investigation into allegations of fraud, bribery and corruption in the civil aviation business of the Company, relating to irregularities concerning third party consultants. Airbus was subsequently informed that the French authorities, the PNF, had also opened a preliminary investigation into the same subject and that the two authorities will act in coordination going forward. The Company engaged with the government of the US (Department of State and Department of Justice) relating to conduct forming part of the SFO/PNF investigation that could fall within US jurisdiction. The Company also engaged with the government of the US concerning potential issues of ITAR Part 130 and related matters. On 31 January 2020, the French and UK courts and US court and regulator approved an agreement reached by the Company with the authorities. For more information, please refer to the "Notes to the IFRS Consolidated Financial Statements — Note 38: Litigation and Claims".

Export Controls Laws and Regulations

The export market is a significant market for the Company. In addition, many of the products the Company designs and manufactures for military use are considered to be of national strategic interest. Consequently, the export of such products outside of the jurisdictions in which they are produced may be restricted or subject to licensing and export control requirements, notably by the UK, France, Germany and Spain, where the Company carries out its principal activities relating to military products and services as well as by other countries where suppliers are based, notably, the US. There can be no assurance (i) that the export controls to which the Company is subject will not become more restrictive, (ii) that new generations of the Company's products will not also be subject to similar or more stringent controls or (iii) that geopolitical factors or changing international circumstances will not make it impossible to obtain export licenses for one or more clients or constrain the Company's ability to perform under previously signed contracts. Reduced access to military export markets may have a significant adverse effect on the Company's business, results of operations and financial condition.

Operating worldwide, the Company must comply with several, sometimes inconsistent, sets of sanctions laws and regulations implemented by national / regional authorities. Depending on geopolitical considerations including national security interests and foreign policy, new sanctions regimes may be set up or the scope of existing ones may be widened, at any time, immediately impacting the Company's activities.

Although the Company seeks to comply with all such laws and regulations, even unintentional violations or a failure to comply could result in suspension of the Company's export privileges, or preclude the Company from bidding on certain government contracts (even in the absence of a formal suspension or debarment).

Furthermore, the Company's ability to market new products and enter new markets may be dependent on obtaining government certifications and approvals in a timely manner.

Dependence on Joint Ventures and Minority Holdings

The Company generates a substantial proportion of its revenues through various consortia, joint ventures and equity holdings. These arrangements include primarily:

- the Eurofighter and AirTanker consortia; and
- four principal joint ventures: ArianeGroup, ATR, Airbus Canada (formerly CSALP) and MBDA.

The formation of partnerships and alliances with other market players is an integral strategy of the Company, and the proportion of sales generated from consortia, joint ventures and equity holdings may rise in future years. This strategy may from time to time lead to changes in the organisational structure, or realignment in the control, of the Company's existing joint ventures.

The Company exercises varying and evolving degrees of control in the consortia, joint ventures and equity holdings in which it participates. While the Company seeks to participate only in ventures in which its interests are aligned with those of its partners, the risk of disagreement or deadlock is inherent in a jointly controlled entity, particularly in those entities that require the unanimous consent of all members with regard to major decisions and specify limited exit rights. The other parties in these entities may also be competitors of the Company, and thus may have interests that differ from those of the Company.

Product Liability and Warranty Claims

The Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. The Company 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 Company believes that its insurance programmes are adequate to protect it from such liabilities, no assurances can be given that claims will not arise in the future or that such insurance coverage will be adequate.

While the Company believes that its insurance programmes are adequate to protect it from such liabilities, claims may arise in the future and insurance coverage related to such claims may be inadequate. The Company follows a policy of seeking to transfer the insurable risk of the Company 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 Company 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 Company.

Any problems in this respect may also have a significant adverse effect on the reputation of the Company and lead to a decline in demand for its products and services. Any reputational damage faced by the Company may be exacerbated due to the Company's visibility.

The Company cannot predict at this time the impact on it as a result of any product liability or warranty claims as such will depend on the nature and size of any such claim.

Intellectual Property

The Company continuously seeks to develop and deliver new products to meet customers' evolving needs, while also improving its existing product lines. Technological innovation has been at the core of the Company's strategy since its creation. The Company's innovations often provide distinct competitive advantages, with many becoming standard in the aircraft industry. In addition, the Company designs, develops and produces a number of high profile products of large individual value, particularly civil and military aircraft and space equipment. Therefore, intellectual property (IP) is one of the Company's most valuable assets and the protection of IP is critical to its business.

The Company relies upon patents, copyright, trademark, confidentiality and trade secret laws, and agreements with its employees, customers, suppliers and other parties, to establish and maintain its IP rights in its products and services and in its operations. Despite these efforts to protect its IP rights, any of the Company's direct or indirect IP rights could be challenged, invalidated or circumvented. Further, the laws of certain countries do not protect the Company's proprietary rights to the same extent as the laws in Europe and the US. Therefore, in certain jurisdictions the Company may be unable to protect its proprietary technology adequately against unauthorised third-party copying or use, which could adversely affect its competitive position. The Company may also face lack of certainty with respect to intellectual property rights for existing or new research and development programmes and established or potential partnerships with private or public organisations, academic institutions and research councils, charities and government departments, where the relevant intellectual property frameworks or user-rights/ownership governing those relationships is dependent on the UK's status as a member state of the European Union.

In the event the Company is unable to adequately procure and protect critical IP it could potentially not implement its business strategy.

The Company has been accused of infringement on occasion and could have additional claims asserted against it in the future. These claims could harm its reputation, result in financial penalties or prevent it from offering certain products or services which may be subject to such third-party IP rights. Any claims or litigation in this area, whether the Company ultimately wins or loses, could be time-consuming and costly, harm the Company's reputation or require it to enter into licensing arrangements. The Company might not be able to enter into these licensing arrangements on acceptable terms. If a claim of infringement were successful against it, an injunction might be ordered against the Company, causing further losses.

4.6.4 ENVIRONMENT, HUMAN RIGHTS, HEALTH & SAFETY RISKS

The Company's expenditure associated with environmental and health and safety challenges may increase due to both increased costs of compliance with regulations in those areas as well as potential reputational and litigation risks.

Given the scope of its activities and the industries in which it operates, the Company is subject to stringent environmental, human rights, health and safety laws and regulations in numerous jurisdictions around the world. The Company therefore incurs, and expects to continue to incur, significant capital expenditure and other operating costs to comply with increasingly complex laws and regulations covering the protection of the natural environment as well as occupational health and safety and human rights. Health and safety expenditures include investments in the identification and the prevention, elimination or control of physical and psychological risks to people arising from work, including chemical, mechanical and physical agents. Risks that could arise from work activities include the possibility of injury, physical and mental ill-health, damage to equipment, business interruption and regulatory action. Any reputational risk and claims against the Company that may result will also need to be managed and may lead to additional health and safety expenditure being required. Environmental protection expenditures include costs to prevent, control, eliminate or reduce emissions to the environment, waste management, the content of the Company's products, and reporting and warning obligations. Analysis of the current trends shows that regulatory pressure on the international scene to reduce the environmental footprint of industry is steadily growing (circular economy and resources efficiency, energy transition and climate change engagement, air and water quality improvement). Moreover, new laws and regulations, the imposition of tougher license requirements, increasingly strict enforcement or new interpretations of existing laws and regulations may cause the Company to incur increased capital expenditure and operating costs in the future in relation to the above, which could have a negative effect on its financial condition and results of operations.

If the Company fails to comply with environmental, human rights, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against it. Regulatory authorities may require the Company to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks. In the event of an industrial accident or other serious incident, employees, customers and other third parties may file claims for ill-health, personal injury, or damage to property or the environment (including natural resources). Further, liability under some environmental, human rights, health and safety laws can be imposed retrospectively, on a joint and several basis, and, in relation to contaminated sites, without any finding of non-compliance or fault. These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages could have a negative effect on the Company's financial condition and results of operations.

In addition, the various products manufactured and sold by the Company must comply with relevant health, safety and environmental laws, for example those designed to protect customers and downstream workers or communities, and those covering substances and preparations, in the jurisdictions in which they operate. Although the Company seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU Regulation known as “REACH”, which addresses the production and use of chemical substances) may force the Company to adapt, redesign, redevelop, recertify and/or eliminate its products from the market thereby incurring significant additional costs. Seizures of defective products may be pronounced, and the Company may incur administrative, civil or criminal liability. Any problems in this respect may also have a significant adverse effect on the reputation of the Company and lead to a decline in demand for its products and services.

Despite compliance with all applicable laws and regulations, the Company’s reputation and the demand for its products may also be affected by the public perception of environmental and societal impacts of the Company’s products in operation (such as the emission of greenhouse gases or noise) and of the local impacts of the Company and its supply chain industrial operations on local communities, the environment and air and water quality.

The Company cannot predict at this time, the impact on it as a result of environmental, human rights, health and safety matters, and may be adversely affected by them in the manner described above. For more information on sustainability-related risks, see 6.1 “Non-Financial Information”.

5. Financial Performance

The Airbus SE IFRS Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

5.1 IFRS Consolidated Financial Statements

Please refer to the "Airbus SE – IFRS Consolidated Financial Statements" and the "Notes to the IFRS Consolidated Financial Statements" for the years ended 31 December 2019 and 2018.

IFRS Consolidated Income Statement

Please refer to the "Airbus SE – IFRS Consolidated Income Statements" for the years ended 31 December 2019 and 2018".

Revenue

Consolidated **revenues** increased to € 70.5 billion (2018: € 63.7 billion), mainly driven by the higher commercial aircraft deliveries and a favourable mix at Airbus, and to a lesser extent the favourable exchange rate development. A record 863 commercial aircraft were delivered (2018: 800 aircraft), comprising 48 A220s, 642 A320 Family, 53 A330s, 112 A350s and 8 A380s. Airbus Helicopters recorded stable revenues supported by growth in services, which offset lower deliveries of 332 rotorcraft (2018: 356 units). Revenues at Airbus Defence and Space were broadly stable compared to the previous year.

EBIT and Financial Result

Consolidated **EBIT Adjusted** – an alternative performance measure and key indicator capturing the underlying business margin by excluding material charges or profits caused by movements in provisions related to programmes, restructurings or foreign exchange impacts as well as capital gains/losses from the disposal and acquisition of businesses – increased to € 6,946 million (2018: € 5,834 million), mainly reflecting the operational performance at Airbus and partially offset by Airbus Defence and Space's performance and additional ramp-up costs.

Airbus' EBIT Adjusted increased by 32% to € 6,358 million (2018: € 4,808 million), largely driven by the A320 ramp-up and NEO premium, together with good progress on the A350.

On the A320 programme, NEO aircraft deliveries rose by 43% year-on-year to 551 aircraft. The ramp-up continued for the Airbus Cabin Flex (ACF) version of the A321 with almost 100 more deliveries than in 2018. The Airbus teams are focused on securing the ongoing ACF ramp-up and improving the industrial flow. Airbus is discussing further ramp-up potential for the A320 programme beyond rate 63 per month with the supply chain, and already sees a clear path to further increase the monthly production rate by 1 or 2 for each of the 2 years after 2021.

The breakeven target for the A350 was achieved in 2019. Given overall customer demand for widebody aircraft, Airbus expects A330 deliveries of approximately 40 aircraft per year beginning in 2020 and the A350 to stay between a monthly rate of 9 and 10 aircraft.

Airbus Helicopters' EBIT Adjusted increased to € 422 million (2018: € 380 million), mainly reflecting an increased contribution from services and lower research and development costs. This was reduced by a less favourable delivery mix.

EBIT Adjusted at Airbus Defence and Space declined to € 565 million (2018: € 935 million), mainly reflecting the lower performance in a competitive Space environment and efforts to support sales campaigns. The Division is targeting a restructuring programme to address its cost structure and restore profitability to a high single digit margin.

During 2019, 14 A400M military transport aircraft were delivered in line with the latest delivery schedule, bringing the in-service fleet to 88 aircraft at year-end. Several key milestones towards full capability were achieved in the year, including the simultaneous deployment of paratroopers and helicopter air-to-air refuelling dry contacts. In 2020, development activities will continue towards achieving the revised capability roadmap. Retrofit activities are progressing in line with the customer-agreed plan. While the rebaselining of the A400M programme was completed and significant progress has been made on technical capabilities, the outlook is increasingly challenging on exports during the launch contract phase, also in light of the repeatedly extended German export ban to Saudi Arabia. As a result, the Company has reassessed its export assumptions on future export deliveries for the launch contract phase and recognised a charge of € 1.2 billion in the fourth quarter of 2019.

Consolidated EBIT (reported) was € 1,339 million (2018: € 5,048 million), including Adjustments totalling a net € -5,607 million. These Adjustments comprised:

- € -3,598 million related to the penalties;
- € -1,212 million related to the A400M charge;
- € -221 million related to the suspension of defence export licences to Saudi Arabia by the German government, now prolonged to March 2020;
- € -202 million related to A380 programme cost;
- € -170 million related to the dollar pre-delivery payment mismatch and balance sheet revaluation;
- € -103 million related to Premium AEROTEC's restructuring plan launched to improve its competitiveness;
- € -101 million of other costs, including compliance costs partially offset by positive capital gains from the Alestis Aerospace and PFW Aerospace divestments.

Consolidated reported **loss per share** of € -1.75 (2018 earnings per share: € 3.94) includes a negative impact from the financial result, mainly driven by the revaluation of financial instruments. The financial result was € -275 million (2018: € -763 million). The consolidated **net loss** was € -1,362 million (2018 net income: € 3,054 million).

Table 1 – EBIT and Revenue by Division

	Revenues			**EBIT (reported)**		
(In € million)	2019	2018	Change	2018	2017	Change
Airbus	54,775	47,970	+14%	2,205	4,295	-49%
Airbus Helicopters	6,007	5,934	+1%	414	366	+13%
Airbus Defence and Space	10,907	11,063	-1%	(881)	676	-
Transversal / Eliminations	(1,211)	(1,260)	-	(399)	(289)	-
Total	**70,478**	**63,707**	**+11%**	**1,339**	**5,048**	**-73%**

IFRS Consolidated Statements of Financial Position

Please refer to the "Airbus SE – IFRS Consolidated Statements of Financial Position" at 31 December 2019 and 2018.

Intangible Assets and Property, Plant and Equipment

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

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

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

Investments Accounted for under the Equity Method

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

Other Investments and Other Long-Term Financial Assets

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

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

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

Inventories

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

Provisions

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

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

The decrease in **other provisions** is mainly due to the release, utilisation and net presentation of the A380 and A220 programme losses against inventories, partly compensated by the A400M net charge recorded in 2019.

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

Other Financial Assets and Other Financial Liabilities

Other Financial Assets

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

Other Financial Liabilities

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

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

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

Other Assets and Other Liabilities

Other Assets

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

Other Liabilities

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

Total Equity

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

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

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

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

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

Net Cash

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

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

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

Securities

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

Financing Liabilities

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

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

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

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

Free Cash Flow

Consolidated **free cash flow before M&A and customer financing** improved by 21% to € 3,509 million (2018: € 2,912 million), mainly reflecting commercial aircraft deliveries and the earnings performance. Consolidated **free cash flow** was € 3,475 million (2018: € 3,505 million). The consolidated net cash position was € 12.5 billion on 31 December 2019 (year-end 2018: € 13.3 billion) after the 2018 dividend payment of € 1.3 billion and pension contribution of € 1.8 billion. The gross cash position on 31 December was € 22.7 billion (year-end 2018: € 22.2 billion).

Order Intake and Order Book

Net commercial aircraft orders increased to 768 aircraft (2018: 747 aircraft), including 32 A350 XWBs, 89 A330s and 63 A220s. At the end of 2019, the order backlog reached 7,482 commercial aircraft. Airbus Helicopters achieved a book-to-bill ratio by value above 1 in a difficult market, recording 310 net orders in the year (2018: 381 units). This included 25 helicopters from the Super Puma family, 23 NH90s and 10 H160s. Airbus Defence and Space's order intake by value of € 8.5 billion was supported by A400M services contracts and key contract wins in Space Systems.

Consolidated **order intake** in 2019 increased to € 81.2 billion (2018: € 55.5 billion) with the consolidated **order book** valued at € 471 billion on 31 December 2019 (end December 2018: € 460 billion).

Table 2 – Order Intake and Order Book by Division[(1)]

	Order Intake (net)			Order Book		
	2019	2018	Change	**2019**	2018	Change
Airbus (in units)	768	747	+3%	7,482	7,577	-1%
Airbus (in € million)	65,769	41,519	+58%	424,082	411,659	+3%
Airbus Helicopters (in units)	310	381	-19%	695	717	-3%
Airbus Helicopters (in € million)	7,179	6,339	+13%	16,627	14,943	+11%
Airbus Defence and Space (in € million)	8,520	8,441	+1%	32,263	35,316	-9%

(1) The unit backlog reflects the contractual view. The backlog value now reflects the assessment of recoverability and net transaction price on airframe and engine.

5.2 Information on Airbus SE auditors

	Date of first appointment	Expiration of current term of office [1)]
Ernst & Young Accountants LLP Boompjes 258 3011 XZ Rotterdam Postbus 488 3000 AL Rotterdam The Netherlands Represented by A.A. van Eimeren	28 April 2016	16 April 2020

1) A resolution will be submitted to the Annual General Meeting of Shareholders in 2020, in order to appoint Ernst & Young Accountants LLP as the Company's auditors for the 2020 financial year.

Ernst & Young Accountants LLP's representative is a member of the NBA (Koninklijke Nederlandse Beroepsorganisatie van Accountants).

6. Non-Financial Information and other Corporate Activities

6.1 Non-Financial Information

6.1.1 AIRBUS'S APPROACH TO RESPONSIBILITY AND SUSTAINABILITY

Airbus and its main stakeholders

Airbus is an industrial company operating in businesses with long product lifecycles and corresponding returns on investment. There are significant costs and risks in programme development and cyclical markets. These features define the Company and shape its relationships with all stakeholders. For a description of the Company's business model, see section 1, General Overview.

The Company is engaged in stakeholder dialogue at various levels. Thanks to an update to its materiality assessment in 2019 it had a privileged opportunity to capture the voice of 12 key stakeholders as to which environmental, social and governance topics were of most importance for them (see "Materiality Assessment" below). This included the following stakeholder groups: customers, suppliers, partners, NGOs, investors, employees, authorities, governments, industry associations, MRO providers, airports, and the community at large. While such opportunities are run centrally, the responsibility for stakeholder engagement, as a general rule, is decentralised and employees are encouraged to initiate, develop and maintain relationships with their respective stakeholders. The Company often seeks a sectorial approach in order to strengthen the impact.

The Company's main purpose, its missions and the objectives resulting from them, are defined in relation to these stakeholders. The Company has defined the following objectives:

- generate long-term value by developing a sustainably profitable portfolio of aeronautics, helicopter, defence and space businesses. For its shareholders, lenders and other financial counterparts, the Company must meet its obligations and foster its standing of creditworthiness and profitability;
- be a provider of choice, offering superior value-for-money products and services to customers;
- engage employees to share its goals and rise to its challenges. Within the confines of applicable laws and regulations, Airbus must respond to their expectations about development, people management and values;
- build sustainable relationships with its suppliers based on mutual interest to satisfy its customers to encourage responsible practices. The Company promotes the Supplier Code of Conduct as standards consistent with its own code of conduct, and also develops and implements adequate mechanisms to monitor supplier performance;
- play a key role in society and towards local communities. The Company is committed to responsible business practices in terms of respect for human rights, labour, the environment and anti-corruption. In addition, the Company encourages initiatives that contribute to tackling societal challenges whether through its products and services, skills and resources or via key partnerships. In 2019 this has been reinforced with the "Next Chapter" transformation platform, launched by the Company's new CEO, in which one of the six strategic streams is dedicated to the role of Airbus in society, putting responsibility and sustainability ("R&S") at the heart of the Company's priorities.

The Airbus "Next Chapter"

A new team, under the leadership of CEO Guillaume Faury, took the helm of the Company in April 2019. This team is composed of both Airbus veterans and newcomers. Drawing widely on many sources of expertise, it will need to plot the course for the Company over the coming years, ensuring the company is best equipped to overcome intrinsic challenges while navigating a rapidly evolving environment externally (heightened competition, multiple new technologies, geo-political uncertainty, environmental imperatives, etc.). It will be the role of this new team to reaffirm/adapt, formalise and champion a coherent purpose, vision, mission, objectives and culture for the Company and to bring them to life. The Next Chapter team and project has been set up, as a first step, to support the new CEO and team in providing them with input to inform their decisions with a diversity of views and ideas coming from individuals from all parts of the Company.

This company-wide, cross functional transformation platform is designed to support, prioritise, accelerate and connect efforts across the Company. Next Chapter aims to create the right conditions and environment to deliver both short and long-term priorities, with a mind-set of Safety, Quality, Integrity and Compliance and to build a capacity for continuous improvement. It connects employees across Airbus to encourage creativity and answer the simple question: What should Airbus of tomorrow look like and how can we make it a reality?

Ideas and initiatives have been structured around seven main streams:

- Purpose and Story
- People@Airbus
- Competitiveness
- Customer@Heart
- Governance
- PeopleSafety@Work
- Airbus in Society

As seen in the above streams, R&S is at the core of the next chapter of the Company and with that a unique momentum has emerged. This is most obvious in the "Airbus in Society" stream, which has gathered ideas and projects aimed at ensuring Airbus drives its business in a responsible and sustainable manner and contributes to the UN Sustainable Development Goals (SDGs).

Next Chapter has also led to the reorganisation of the R&S team and governance model that will be taking place in 2020. The changes will reflect the ambition to fully embed R&S into the business and its performance management systems, to engage the most senior leaders of the Company and the Board of Directors, to drive our most material topics, while developing a strong R&S culture across the Company and developing greater engagement with the Company's stakeholders.

Materiality Assessment

In order to update its priorities regarding responsibility and sustainability efforts, in 2019 the Company performed a follow up to the materiality assessment performed in 2017. The exercise, in line with GRI methodology, consists of capturing which environmental, social and governance issues are of the most importance for the Company's main stakeholders and then crossing that with the degree of impact that the Company has on those issues. The results, along with other relevant intelligence, will inform the Company's strategy, targets and reporting.

The issues were developed, consolidated and ranked by the Company's R&S Network in 2017 and updated in 2019 to consider emerging issues most relevant to the Company and the aerospace industry. The R&S Network gathers a group of internal experts advising on the Company's R&S strategy, monitoring progress in their respective areas of responsibility, sharing knowledge and best practices throughout the entire Company. The group is trans-functional, trans-national and trans-divisional and meets on a monthly basis.

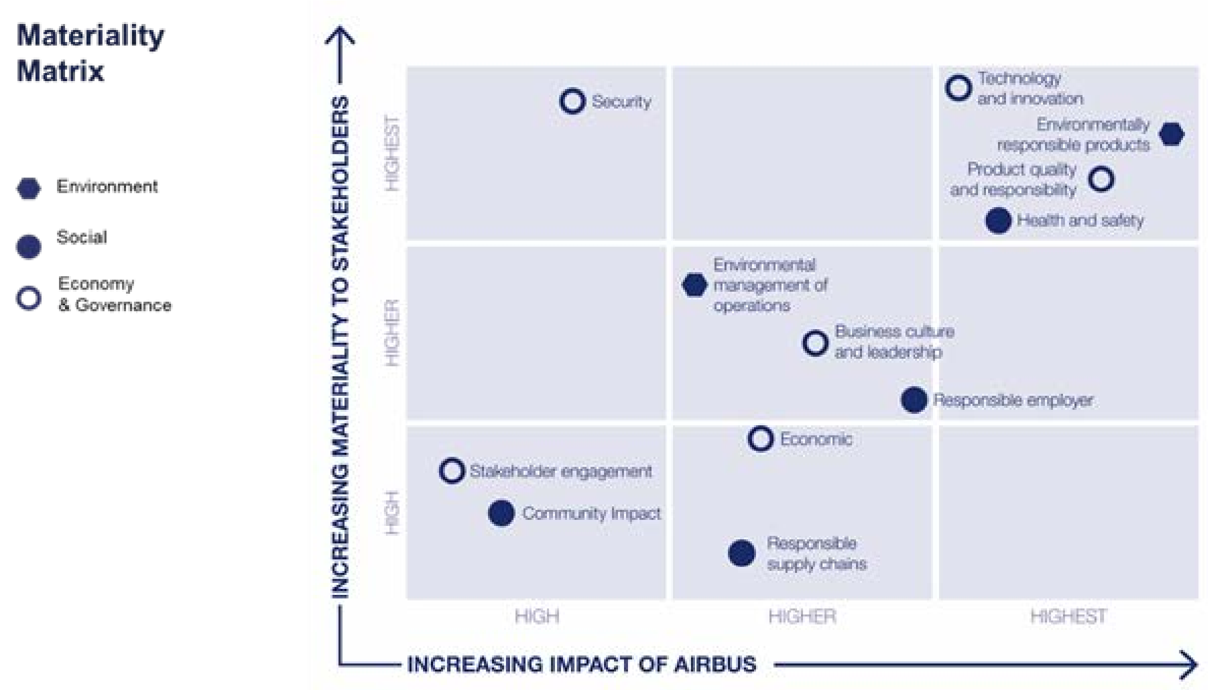
As for stakeholder groups, after solicitation of the R&S Network, airports became the twelfth stakeholder selected, on top of the 11 groups from 2017 (see section above "The Company and its Main Stakeholders").

A major improvement in 2019 was the use of data mining and online survey capabilities of the Datamaran tool, which allowed a more quantitative approach to the assessment, allowing, for example, insights from nearly 40 top suppliers and 30 of the Company's most strategic customers.

As for determining the impact of the Company on the chosen issues, an online survey was answered by 246 of its executives.

The results are captured in the matrix below with the most material issues being captured in the upper-right hand corner.

Materiality matrix 2019



source: Datamaran

You will find these issues covered within the following sections of this chapter:

- **Responsible Company**[4]**:**
  - 6.1.2(a) Aviation and Product Safety ("product responsibility" in the matrix);
  - 6.1.2(b) Environment ("environmentally responsible products" and "environmental management of operations" in the matrix);
  - 6.1.2(c) Responsible Defence and Space products ("security" and "product responsibility" in the matrix).
- **Responsible Business**:
  - 6.1.3(a) Ethical business practices ("business culture and leadership" in the matrix);
  - 6.1.3(b) Responsible Suppliers ("responsible supply chains" in the matrix).
- **Responsible Employer**:
  - 6.1.4(a) Workforce and 6.1.4(b) Human Capital Management, Labour Relations and Human Rights ("responsible employer" in the matrix);
  - 6.1.4(c) Health and Safety (same in the matrix);
  - 6.1.4(d) Inclusion & Diversity ("responsible employer" in the matrix); and
  - 6.1.4(e) Community Engagement ("community impact" in the matrix).

4 See chapter 6.2 for Research & Technology ("technology and innovation" in the matrix).

UN Sustainable Development Goals

Airbus has been a signatory to the UN Global Compact since 2003 and has reached “Advanced Level”.

Airbus adopted the UN SDGs in December 2015 as a framework to align its responsible and sustainable contributions. Over 2016, Airbus performed a mapping of its contributions based on publicly available information which demonstrated that at least eight of the 17 SDG goals are directly relevant to Airbus’ businesses. Combined with stakeholders’ feedback, it was confirmed that Airbus is actively contributing to:

- SDG 4: Quality education
- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 12: Responsible consumption and production
- SDG 13: Climate action
- SDG 16: Peace, justice and strong institutions
- SDG 17: Partnerships for the goals

This framework also drives the direction of innovation initiatives. As an example, all projects and start-ups selected by Airbus’ in-house business accelerator, Bizlab, must now demonstrate a strong contribution to one of the SDGs as a pre-condition.

Airbus’ Way Forward: Vigilance Plan

The Company is determined to conduct its business responsibly and with integrity. The Company is convinced that promoting responsible business conduct within its value chain is key to sustainable growth. A dedicated programme has been launched by the Procurement function in order to monitor Airbus’ suppliers. For more information on the programme and its implementation, including Airbus’ vigilance plan for suppliers, see section 6.1.3(b) Responsible Suppliers.

As far as its own operations are concerned, Airbus has adopted internal policies and management tools to perform the assessment, monitoring, mitigation, reporting of risk and compliance allegations, which are fully embedded into the Company’s culture and processes. At Airbus, heads of programmes and functions, as well as managing directors of affiliates, supported by respective specialists, shall ensure proper deployment of the Company’s policies, management of Enterprise Risk Management in their fields or perimeters, as well as duly reporting issues to top management. Airbus’ approach is thus based on its existing strengths, namely strong management process already established and adopted by employees, empowerment of specialists and an industry approach whenever possible.

With regard to risk management, Airbus performed an in-depth review of its ERM system in order to identify potential missing risks related to human rights and fundamental freedoms, health and safety and the environment in 2017. The ERM system was updated to take into account the most significant potential risks related to these areas that Airbus may generate as part of its operations. In 2019, these risks and related action plans were consolidated and are reported to the Company’s top management on a regular basis. For more information on ERM, see section “ - 4.5, Enterprise Risk Management System”. For more information on Airbus’ risks, see section “ – 4.6, Risk Factors.

To support our commitment to and promotion of a “Speak-Up” culture, the Company has an “OpenLine” to provide employees with an avenue for raising concerns in a confidential way. In 2018, the Company decided to extend the scope to responsibility and sustainability related topics. For more information on the OpenLine, see section “ - 6.1.3(a) Ethical Business Practices.

To continuously drive improvements, the Company offers employees over 100 training opportunities, online and in-person, linked to labour relations, diversity, environmental and health and safety matters, as well as R&S and human rights. It continues to deploy programs for specific target groups. One programme targeting all employees worldwide focuses on increasing general awareness on R&S as well as on Airbus' commitments as outlined in the Charter. A second programme is dedicated to risk-exposed populations, such as buyers and key leaders of affiliates (including managing directors and heads of finance or board members of affiliates). It aims at developing in-depth understanding of legal requirements with regards to environment, health & safety, human rights, labour relations, anti-corruption within the Company's operations and supply chain, and promoting the Company's internal processes to help mitigate potential risks and help prevent violations. The Airbus Leadership University took the lead to embed R&S strategy and commitments into the courses it offers, in order to ensure the Company's managers are trained and equipped to instil the right behaviours, foster cultural change and encourage the search for innovative solutions to answer societal challenges. For example, the Company launched the day-long "Ethical and Responsible Leadership" MasterClass targeting its Executives in the fall of 2019. As part of the Company's talent development programme, it offers developing leaders an eight-day, four-module course called "Purpose and Values Driven Leaders". In addition, the Company also provides training to its employees, including those of affiliates, on the recently updated Airbus Code of Conduct.

CEO Guillaume Faury released the new Airbus Code of Conduct on 2 July 2019. Company-wide communications around the new Code of Conduct demonstrate strong tone at the top. They include: message to all Airbus employees, dedicated article on the HUB, Team Talk communicated to all Airbus Executives, dedicated webinars for the Ethics & Compliance representatives community, e-learning available in four languages. The Code of Conduct was also communicated to Airbus affiliates.

All Airbus affiliates (affiliates where Airbus owns more than one half of the voting rights, or is able to appoint or discharge more than one half of the members of the board) with operational activities are expected to deploy similar internal policies applying Airbus directives. A corporate directive assists Airbus affiliates in effectively fulfilling their responsibilities while assuring Airbus' ongoing commitment to high standards of corporate governance. In 2018, Airbus, working closely with its two Divisions, approved one single directive on corporate governance for the Company's affiliates, which defines rules, processes and procedures applicable to Airbus affiliates and their respective boards, directors and officers. Airbus leveraged this in-depth work to integrate enhanced requirements on labour and human rights, environment, health and safety and procurement matters into the new directive on the basis of related Airbus internal policies including:

- International Framework Agreement;
- Agreement on the European Works Council;
- Supplier Code of Conduct;
- Health & Safety Policy;
- Airbus Code of Conduct (formerly Standards of Business Conduct);
- Environmental Policy;
- Airbus Anti-corruption Policy and related Directives.

Since September 2018, this directive has become a reference for all affiliates from all Divisions, and Airbus is working on a yearly update to constantly improve it. Based on the directive, a newly harmonised questionnaire was sent to all affiliates in 2019 to self-assess their internal controls, including how they relate to the environment, health & safety, human resources and procurement compliance requirements. Regarding the above activities, affiliates were asked to confirm that all relevant Airbus policies were accessible to their employees and duly communicated to them. If that is not the case, affiliates shall take appropriate actions to remediate the gaps.

To verify that the answers provided to the questionnaire are in line with Airbus' expectations, so-called "Fit" checks started to be performed in 2018 on some Finance, Compliance and Governance key controls for affiliates of Airbus and its two Divisions. From 20 Fit checks performed in 2018, Airbus increased to 70 in 2019 and aims to reach 100 Fit checks in 2020.

Since 2019, affiliates are also asked to regularly evaluate risks via the Company's ERM system, as well as to regularly monitor them as part of their risk assessment process. The Company endeavours to ensure that the procedures to assess, investigate and manage allegations are well aligned throughout the Company.

Each affiliate with operational activities has in place a Board of Directors and/or a shareholders' meeting where strategic decisions are made. Each affiliate has an Airbus supervisor who is a member or chairman of the board who ensures that all Airbus requirements are considered by the affiliate's management. At least once a year the agenda of the board will include an update on ethics and compliance matters (including training, awareness and any other relevant issues).

For its principal and operational minority joint ventures, the Company will work with the joint-venture partners to ensure the proper application of relevant compliance and R&S policies.

For more information on the Company's approach to the environment, see section 6.1.2(b). For more information on the Company's approach to human rights and health and safety, see sections 6.1.4(a) and 6.1.4(c).

6.1.2 RESPONSIBLE COMPANY

a. Aviation and Product Safety

I. Introduction

At Airbus, we believe that everyone in our industry has a role to play to further enhance the safety of the air transport system. Flying today is safer than ever before, and collective efforts continue to ensure it will be even safer by anticipating and responding to risks, threats and challenges. Whilst the foundations of safety are built on regulatory compliance, Airbus goes beyond airworthiness requirements to also focus on safety enhancement activities in products and services.

II. Governance

A dedicated safety organisation within the Company acts as an independent voice of safety. The Chief Product Safety Officer for the commercial aircraft activities of Airbus reports directly to the CEO and is the Chairman of the Product Safety Board (PSB). Several Executive Committee members and senior executives are part of the PSB to ensure proactive safety decision making is based on multidisciplinary assessments at the highest decision level of the Company. The PSB does not only make decisions regarding technical aspects but also safety governance, strategy and performance aspects.

Airbus Safety Management System

Consistent with ICAO Annex 19, the Airbus Corporate Safety Management System (SMS) is based on the four ICAO pillars of safety policy and objectives, safety risk management, safety assurance and safety promotion. The Airbus Corporate SMS principles also integrate the end-to-end approach to safety with the Company's suppliers and operators. This is facilitated by an appointed Corporate SMS Officer and SMS officers per function with support from a network of nominated SMS Representatives throughout the Company.

Airbus Plan for Aviation Safety

The Airbus Plan for Aviation Safety (APAS) defines the Airbus safety strategy by identifying the top safety threats or opportunities and providing their associated key safety objectives for the safe operation of Airbus aircraft. APAS is a five-year projection, which is reviewed and updated annually. APAS is a response to EASA's annual European Plan for Aviation Safety.

Regulatory Compliance

Product certifications are provided by the competent aviation authorities including the main civil aviation authorities and specific military authorities. Within each Division, and according to their respective functions, Airbus works to ensure compliance through design and certification of products under EASA Part 21 Design Organisation Approvals (DOA); ECSS-Q ST-40-C for (Space Products) and Def-Stan 00-56 (Defence Products); manufacturing under Production Organisation Approvals (POA); monitoring of in-service safety through approved EASA Part-M Continuing Airworthiness

Management Organisations (CAMO); aircraft maintenance and retrofit operations conducted in line with civil and military EASA Part 145 regulations; and training provided to flight crews, cabin crews and maintenance crews through EASA Part 147 Approved Training Organisations (ATO).

The certified organisations within Airbus where specific approvals are granted by the aviation authorities, are audited and monitored by these authorities to ensure full compliance to regulatory requirements. Additional audits are also conducted by third parties as part of the quality certifications appropriate to each Division, including EN9100, EN9001, EN9110, AQAP 2110, AQAP 2210 and AQAP 2310.

Commitment to Just and Fair Culture

The product safety and quality of the Company's products is its first priority. Each employee of Airbus, at any level, shall do their utmost to ensure that product safety is never compromised and quality is considered in everything they do. This commitment is documented and endorsed with the signature of the CEO, Executive Committee members and top management in key functions. It also includes the commitment to ensure the appropriate reporting channels are available and known to all employees, providing an atmosphere of trust and empowerment to report product safety and quality related matters.

III. Risk Management

Applying proactive risk management principles has contributed to significant improvements for the safety of flight in recent decades. This risk management approach drives the Airbus Corporate Safety Process, which has been in place for 15 years. It also supports the principles of the Airbus safety enhancement culture, going beyond compliance to certification and airworthiness duties.

IV. Initiatives

Consistent with its end-to-end approach and as part of its safety strategy outlined in the APAS, Airbus has several collaborative initiatives contributing to reinforcing resilience capabilities in the air transport system and enhancing the safety level of its products with all key actors.

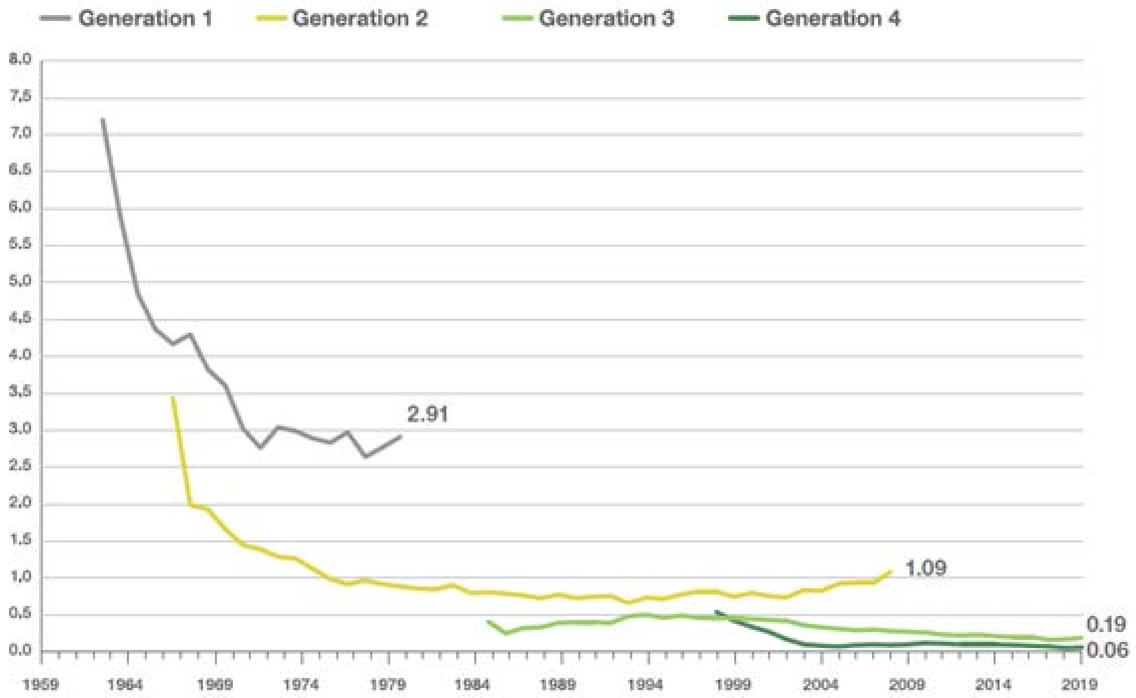
For example, Airbus is working with its supply chain to extend its safety enhancement principles with its suppliers. As part of the SMS approach, this includes specific SMS forums with the Company's suppliers and initiatives to reinforce the collaborative approach to optimise responses to in-service feedback and reporting.

D10X (short for Air Transport Safety, Destination 10X Together) is another collaborative initiative with airlines. The aim of D10X is to propose pragmatic solutions together with operators of Airbus aircraft for the key safety issues identified within this network.

Sharing safety information is a key contributor to increasing the level of safety. First held with Airbus customers in 1994, the annual Flight Safety Conference marked its 25th anniversary in March 2019. Another means of sharing information is through "*Safety first*", the Airbus safety magazine contributing to the enhancement of safety for aircraft operations by increasing knowledge and communication on safety related topics in biannual editions since 2005. It reaches over 50,000 subscribers in the aviation community via the website safetyfirst.airbus.com and the "Safety first" app.

Airbus is committed to the industry's common objective of reinforcing resilience in the air transport system through the RAISE program with its aim to "Reinforce Awareness In Safety for all Employees". To support this programme, an Airbus Safety Promotion Center will open in 2020, which is a dedicated space to foster a prevention mind-set throughout Airbus and encourage a deeper personal engagement with safety.

All of these initiatives and the safety enhancement culture, combined with the benefits brought by technology, leads to a continuous improvement of the safety records. This is illustrated in statistics showing that the safest aircraft are those of the third-generation and fourth-generation jets. All Airbus Fly-By-Wire family aircraft (including A320, A330/A340, A380, A350, A220 fleets) are the latest fourth-generation aircraft.



b. Environment

I. Introduction

"At Airbus we believe that by demanding more of ourselves, we can demand less of our planet. We are challenging ourselves to go further when it comes to taking responsibility for the environmental impact of our product throughout its lifecycle, and are investing major efforts into examining and reducing the impact of our products in operation together with all actors within the aviation sector. We not only rigorously track and measure our own impact, in our sites, products and services, but we also collaborate with our worldwide supply chain to drive more effective environmental management and decarbonize our industry. And we place innovation at the core of this effort by investing in research, new technologies, and sustainable solutions to help us reach our vision."

Guillaume Faury, Airbus CEO

II. Governance

New Policy

"Go further" for Airbus means developing products and services taking into consideration current and foreseeable future environmental challenges for future generations and with long-term value creation in mind. This is driven through the Company's environmental policy with strong support from the CEO and Executive Committee.

The policy focuses on three main directions:

- continually improving our manufacturing and site operations by achieving net zero GHG emissions, zero water and air pollution, sustainable energy sources and zero waste to landfill before 2050;
- driving development of eco-efficient products and services, taking into account environmental challenges; and
- working in cooperation with the aerospace sector to develop sustainable operations of air transportation.

The industry faces a variety of environmental challenges, including climate change, and the Company invests and cooperates with stakeholders across the value-chain in researching and implementing innovative ways to meet them.

As aviation represents around 2.5% of global man-made CO2 emissions, the Company recognises its role in reducing the global environmental footprint of the sector and the importance of respecting the commitments of the Paris agreements. Climate change may also affect the environmental conditions in which Airbus' manufacturing activities and products are operated. Another area of attention is the elimination of substances posing a risk to human health or the environment. The Company is continually seeking technically-feasible sustainable solutions to reduce the environmental impacts of its products and operations, in cooperation with its suppliers and industrial stakeholders.

Organisation around environmental affairs topics

Since September 2019, an Environment Executive Steering Committee has been established. This committee gathers members of the Executive Committee and managers in charge of environmental topics. It meets regularly to review progress and take decisions on all matters related to the environmental strategy of the Company.

An Environmental Coordination Committee on a cross-Divisional level ensures consistency in the operational management of environment throughout the Company and aligns on reduction objectives. The Coordination Committee meets four times a year and is composed of the heads of Environment for Helicopters, Defence and Space and the commercial aircraft activities of Airbus.

The role of the Airbus Environmental Affairs organisation is to guide the business in environmental matters, to set the policy and deploy, drive and improve the Environmental Management System (EMS) throughout the Company to achieve the Company's environmental objectives. The Airbus EMS is based on ISO 14001:2015. Airbus was the first aircraft manufacturer to be ISO 14001 certified, and continues to show its commitment by having been recertified to ISO 14001: 2015 in November 2019.

Airbus also monitors environmental regulatory developments to understand, evaluate and prepare for legal and regulatory evolutions applicable to its activities and products.

On an annual basis, the Company undertakes an extensive exercise to collect, consolidate and report its environmental data. This enables Airbus to measure the environmental impact of its site operations, track its performance and communicate information on environmental matters to internal and external stakeholders. As part of its transparency policy, the Company discloses its GHG emissions to the CDP, providing its investors and other interested parties with the insight they need. Once evaluated by CDP, Airbus' entries to the climate change questionnaire are made available publicly on the CDP website.

Working in cooperation

Airbus understands the importance of working together with other stakeholders to find solutions.

For instance, Airbus is a Founding Member of the International Aerospace Environmental Group (IAEG) and is actively engaged in all areas of work, such as greenhouse gas emissions, substances management, substitution technologies and supply chain to share practices and promote the development of global standards.

Airbus is also an active board member of the Air Transport Action Group (ATAG) which sets industry goals including CO2 emission reduction goals, and mobilises action on strategic aviation issues. Aviation is a global industry and requires global solutions. ICAO, a specialised agency of the UN, has a proven track record of delivering robust aviation environmental standards and guidance (i.e. air quality, noise, CO2). Airbus supported the ICAO agreement in 2016 on the CO2 standard and also the adoption of the new Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA) in 2017. Within the framework of this sectoral offsetting scheme, airlines were scheduled to start the monitoring and reporting process of CO2 emissions as of 1 January 2019. CORSIA is the first global sectorial offsetting scheme.

On space activities, Airbus has worked with the European Space Agency (ESA) in Earth observation for over 25 years. EarthCARE (Earth clouds, aerosols and radiation explorer) and Copernicus, the most ambitious Earth observation programme to date, are two examples.

Recyclability is another important topic that the Company is tackling in cooperation with other entities through TARMAC Aerosave, a joint venture between Airbus SAS, Safran Aircraft Engines and Suez providing state of the art services for the management of an aircraft's end of life.

III. Risk Management

Environmental risk and opportunities are managed following the Company's ERM system and requirements defined within the ISO14001:2015 certified EMS. Identification of specific environmental risks and opportunities is defined by internal guidance and it notably highlights the Life Cycle Perspective approach to be adopted and the inputs to be considered: environmental aspects and impacts, compliance obligations and other issues and requirements including stakeholders' expectations.

Risks and opportunities are reported quarterly to the Executive Committee of each Division and top risks are consolidated at Company level to be brought to the attention of top management.

1. **Climate Change risk on Aircraft and Industrial Operations**

The air transport market and Airbus business and operations may be disrupted by climate change, air emissions related impacts and stakeholders expectations including those of society, regulators and customers.

Climate change mitigation

Developing lower emission products and services to satisfy those expectations will require breakthrough advances in technology research (e.g. development of energy storage for electric aircraft, electrical distribution in the aircraft, power to weight ratio of electrical machines, etc.).

Airbus pursues incremental improvement of its programmes and has developed a dedicated organisation aimed at developing the future technologies that will be required. However, these technologies may not be available on time or may not deliver the required improvements to meet the climate objectives.

The Company's reputation may be affected if its or the sector's expected contributions on GHG emission reduction are not delivered as defined by ATAG to support the Paris agreements. Society's sensitivity to climate change leading to a change in passengers' behaviour including preference for alternative means of transport may change the market and demand for air travel. The Company may face reduced demand for its products and may need to adapt its business model in consequence.

Climate change adaptation

The foreseen consequences of climate change include harsher average weather conditions and more frequent extreme weather events, such as hurricanes, hail storms, heat waves or extreme cold spells. To cope with degraded operational conditions, more frequent redesigns may be required to meet more stringent regulation and certification criteria or standards.

Industrial operations and supply chain may also be affected by the consequences of climate change and require specific adaptation measures to remain operational.

2. **Chemicals of Concern**

Evolution of the hazardous chemicals' regulatory framework may lead to short- and long-term potential bans and result in business disruption across the Company's value chain.

With the aim of protecting human health and the environment, regulators at national and international level have developed a stringent set of legal requirements that are continuously evolving to ensure that hazards related to substances are under control or eliminated.

In order to mitigate the risk of disruption in its operations and supply chain, the Company's policy is to develop safe alternatives to the targeted substances and substitute these as soon as those alternatives have proven reliable enough to meet the stringent airworthiness criteria.

<u>IV. Initiatives</u>

Industrial Operations

The Company is engaged in an industrial transformation to anticipate mid-term evolutions of its industrial systems as well as looking for longer term solutions to build its "factories of the future". This company-wide initiative will support the reduction of Airbus' environmental footprint on air, soil and water quality, climate change, biodiversity and resource availability. An evaluation of hotspots based on life cycle assessment studies of some Airbus products is also ongoing to help focus on appropriate topics.

In 2019, Airbus has rolled out High5+, a 2030 plan to reduce the footprint of all Airbus activities globally and reach out to the supply chain. High5+ engages all sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. These objectives have been set in absolute value compared to 2015 levels to reduce energy consumption, CO2 emissions, water consumption, VOC emissions and waste production as follows:

- energy and CO2: Following "Science Based Targets" methodology, reduce energy consumption by 20% and reduce direct (scope 1), indirect (scope 2) and oversize transportation (scope 3) GHG emissions by 40%. Reduction of oversize transportation impact will involve use of carbon offsetting to achieve overall ambition;
- waste and raw materials: divert 100% of the waste from landfilling and incineration without energy recovery, and reducing the amount of waste produced by 20%;
- air emissions: comply with air emissions regulations with 0% increase of air emission by 2030;
- water: develop strong maintenance and rehabilitation programs to improve reliability and lower costs in order to reduce water purchase by 50%, with no increase in water consumption; and
- deploy environmental requirements and risk evaluation across a targeted scope of the supply chain. Enhance the use of environmental risk evaluation for consideration as a quantitative input during selection, contracting and supply chain control phases.
- In order to better embed this ambition into the Company's performance management, the Executive Committee agreed in 2019 to include a CO2 reduction target for 2020 of 2.7% on the same perimeter as part of the Company's top objectives. As such it will form part of the CEO's and other Executive Committee members' remuneration in 2020.

	2030 Target	2015	2019	2019 v. 2015
Energy (MWh)	-20%	2,323,287	2,408,751	3.7%
CO2e (tons)	-40%	934,788	981,985	5.0%
Waste :				
Landfilled and incineration without energy recovery	0%	18%	26%	
Waste produced	-20%	67,115	68,997	2.8%
Air emissions :				
VOC (tons)	0% increase	1,156	1,208	4.5%
NOX (tons)	0% increase	203	237	16.9%
SOX (tons)	0% increase	11.6	11.8	1.5%
Water :				
Water purchase (m3)	-50%	2,606,859	3,006,246	15.3%
Water consumption (m3)	0% increase	2,944,677	3,454,085	17.3%

Perimeter : Airbus sites w/o subsidiaries. Airbus FAL in Mobile (US) & in Mirabel (Canada) were not operated in 2015 and therefore do not contribute to the baseline.

2017 data used as baseline for Airbus Tianjin & Oversize Transportation

The 2019 status shows a moderate increase compared to the 2015 baseline. This is expected and can be explained by the Company's significant industrial ramp-up over the same period combined with the introduction of the A220 FAL in Mirabel (Canada) in 2019. Compared to previous objectives that were calculated relative to revenue, the High5+ plan targets specific initiatives to achieve the absolute value reduction targets by 2030.

VOC emissions have been reduced by over 15 tonnes annually in Nantes by switching from liquid cleaning solutions to sprays and wipes.

The Company is also engaged on circular economy. Beyond waste reduction, the Company has been proactive in seeking ways to reuse and recycle materials beyond their initial life. Not only does the Company send nearly 60% of its waste to be recycled, but today, through the TARMAC Aerosave joint venture, more than 90% of an aircraft weight is recycled or reused through a selective dismantling (reverse manufacturing) process. As airplanes manufactured with large volumes of composites start retiring in the next few decades, Airbus is working in cooperation with several specialist companies involved in carbon fibre recycling, as part of an industry goal to determine the best processes and uses for recycled and reused carbon fibre materials.

Wherever its industrial activities have an impact on biodiversity, the Company is engaged with local partners on conservation and remediation projects to preserve the affected flora and fauna and ensure they are not adversely affected by the company's activities.

In order to promote biodiversity and educate employees on environmental protection, a beehive has been installed on Airbus Helicopters' Marignane site with approximately 15,000 bees and a seedling nursery has produced 300 seedlings of gardening, fruits and native plants on the Itajuba site.

Noise around Airbus sites can also be an important topic for neighbouring communities. The Company is actively engaged with local authorities and the affected population to minimise its impact, by adapting operating times and actively seeking to reduce the noise at the source. In Toulouse, Airbus has launched the Median initiative regrouping actors in charge of flight activities around the airport to find the most effective solution to reduce noise levels.

Light pollution caused by Airbus activities has been deemed to be non-material to the Company's value chain.

The Company monitors and makes available data verified by external auditors, and publishes transparently its industrial performance. Environmental data has been externally audited since 2010. Below is a selection of externally reviewed environmental indicators.

Annual reporting of performance indicators table

Environmental performance	GRI	KPI	Unit	2019	2018
ENERGY	EN3	Total energy consumption (excluded electricity generated by CHP on site for own use) ✓	MWh	**4,054,849**	**4,006,108**
		Energy consumption from stationary sources ✓	MWh	**1,359,018**	**1,304,338**
		Energy consumption from mobile sources ✓	MWh	**1,112,573**	**1,094,851**
		Total electricity consumption, heat & steam consumption excluding CHP for own use ✓	MWh	**1,583,258**	**1,606,919**
		Of which purchased electricity from renewable sources (REC)	MWh	101,612	
		Generated electricity from CHP on-site for own use ✓	MWh	187,846	190,287
AIR EMISSIONS	EN16	Total Scope 1 + Scope 2 CO_2 emissions ✓	tons CO_2	**927,529**	**959,825**
		Total direct CO_2 emissions (Scope 1) ✓	tons CO_2	**569,838**	**553,887**
		Total indirect CO_2 emissions (Scope 2) ✓	tons CO_2	**357,691**	**405,938**
	EN17	Indirect CO2 emissions Business Travel (Scope 3) ✓	tons CO_2	**109,403**	**111,666**
		Indirect CO2 emissions Oversize Transportation* (Scope 3)	tons CO_2	**198,526**	**185,500**
	EN20	Total VOC emissions** ✓	tons	**1,535**	**1,553**
	EN21	Total SOx emissions	tons	**15**	**17**
		Total NO_x emissions	tons	**280**	**323**
WATER	EN8	Total water consumption ✓	m^3	**3,987,289**	**3,647,950**
	EN22	Total water discharge	m^3	**3,740,566**	**3,338,712**
WASTE	EN23	Total waste production, excluding exceptional waste ✓	tons	**99,280**	**98,631**
		Material recovery rate ✓	%	**54.0**	**57,8**
		Energy recovery rate	%	**21.2**	**20,7**
EMS certification		Number of sites with ISO 14001 /EMAS certification*** vs total number of covered by environmental reporting	Unit	62 / 80	60 / 71
		Workforce effectively covered by reporting over workforce subject to reporting according to the environmental guidelines.****	%	94	89

2018 baseline has been recalculated to integrate changes in accounting methodology (emission factors & exclusion of close loop water consumption in Donauworth)

Electricity Emission factors updated according to IEA 2018 v1.01 for 2019 data and IEA 2017 v1.03 for 2018 data

Sites A220 FAL in Mirabel, Canada, Satair Copenhagen, Ashburn & Miami, AH Oxford, ATR Francazal, are included in 2019 according to reporting rules.

✓ 2019 data audited by Ernst & Young. 2019 data covers 92% of total group employees.

* Oversize emissions cover transport of large and non standards shipments. Values cover aircraft commercial activities and are estimated.

** 2019 VOC emissions data is estimated and 2018 data actualised. The accurate 2019 data will be consolidated and available during March 2019

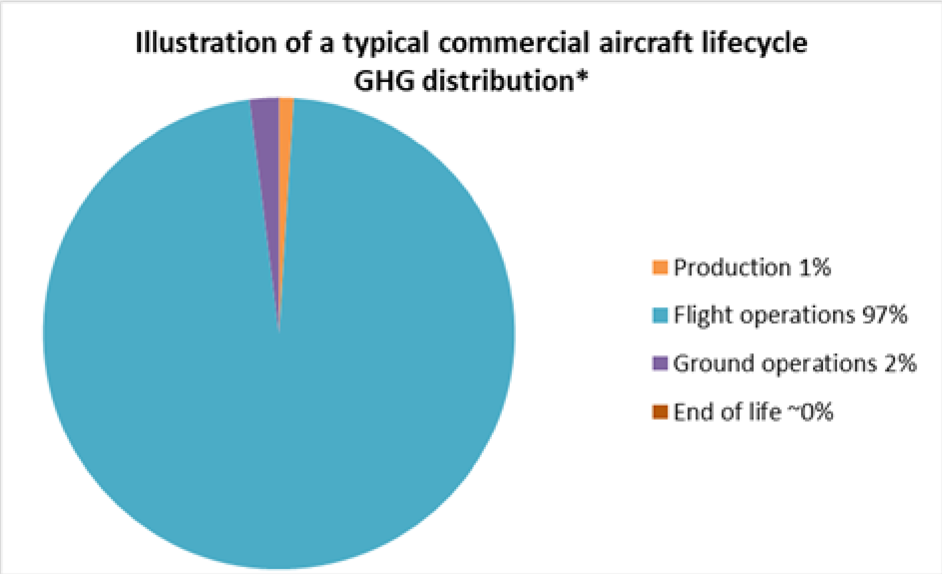
*** Number of sites covered by the environmental reporting which are certified ISO 14001.

**** Airbus environmental reporting guidelines include sites worldwide with a workforce on-site higher or equal to 50 employees. Note that only 100% consolidated entities are taken into account to calculate this 50 employee threshold. Coverage varies from 92% to 93% for waste, water, heat & refrigerants indicators.

As part of its plan to tackle scope 3 emissions, the Company has decided to offset all emissions linked to air business travel. In 2019, the Company has also started compensating emissions of activities for which reduction and use of renewable energy are not sufficient to meet the targets, such as air and sea logistics means.

In 2019, Airbus undertook an initial assessment of its scope 3 “Purchased Goods and Services” impact using a methodology developed by IAEG. The results of this assessment will be used to understand where the main impacts are in the Airbus supply chain in terms of GHG emissions and engage with suppliers on targeted projects to address them in the most effective way.

As can be expected, GHG emissions linked to the operation of Airbus' products are among the areas of particular focus as they represent the main part of the value chain's emissions. Recent internal studies, aiming at understanding the spread of GHG emissions of a commercial aircraft product over its current complete lifecycle, have concluded that over 97% of GHG emissions occur during the flight operations phase. As this phase is influenced by several factors beyond Airbus' direct control and needs to be calculated as a projection of an aircraft's operation over its entire service life, Airbus calls for a sectoral alignment on a methodology providing consistency to the way such impacts are calculated and communicated throughout the air transport sector.



*initial assessment for illustrative purposes only

Products in operation

In the last 60 years, the aviation industry has cut fuel consumption and CO2 emissions per seat / kilometre by more than 80%, NOx emissions by 90% and noise by 75% of aircraft in operation.

Whilst this performance is impressive, 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, notably CO2. Due to the industry's short- and mid-term reliance on hydrocarbon fuels as well as potential additional impacts from non-CO2 factors, the reduction of aviation's impact on climate change remains an environmental challenge.

Airbus, along with airlines, airports, air traffic management and other manufacturers, committed in 2008 to sectoral CO2 emission goals (ATAG):

- improve fleet fuel efficiency by an average of 1.5% per annum between 2009 and 2020;
- stabilise: from 2020, net carbon emissions from aviation will be capped through carbon neutral growth (CNG); and
- by 2050, net aviation carbon emissions will be half of what they were in 2005.

Airbus is actively working on a greater decarbonisation potential through new fuels and energies, technology and innovations (aiming at zero emissions flights) and carbon offsetting. Meeting these challenging goals will require a truly collaborative approach across the industry, investors and financial institutions, governments and civil society, focused on a combination of improvement measures encompassing technology (including sustainable fuels), operational improvements, infrastructure (including air traffic management) and market based measures.

Sustainable aviation fuels (SAF) are vitally important to the decarbonisation potential of our sector. These are not just "a nice to have" and as such the Company is fully engaged with other industry partners to drive the development of the industry. Airbus is the first manufacturer to offer delivery flights on sustainable fuels and intends to use SAF for test flights and Beluga flights as well as increasing the opportunity for more delivery flights. The first Beluga flight with SAF is an important milestone towards Airbus' decarbonisation strategy. Airbus plans to progressively use SAF in its new fleet of Beluga XLs and plans to deploy this to other operational bases in Europe.

Beyond climate change, the Company also focuses on reducing the other aspects of the environmental impacts of aircraft in operations. For instance, the Airbus Noise Technology Centre based at the University of Southampton is continually modelling and testing to better understand noise, its sources and solutions to be embedded into current and future products.

Substances Roadmap

Many substances used in the global aerospace industry to achieve high levels of product quality, safety and reliability are subject to strict regulatory requirements.

In the aerospace industry, regulations on substances impact key processes and products, such as surface treatments, paints and fire protection. The Company remains committed to move towards replacement of such substances in products and processes. To help achieve this, the Company has put in place a portfolio of activities and projects, working with suppliers to identify, develop, qualify and deploy new technologies and solutions that avoid the use of substances classified as posing a risk to human health or the environment, whilst satisfying airworthiness, certification and performance requirements. The Company also engages with suppliers to promote the adoption of a similar approach through regular communication and, more widely, by working together with the aerospace industry to promote worldwide harmonisation of regulations and ways of working, taking into account the sector's safety and lifecycle specificities.

Using information obtained from its suppliers, Airbus tracks, registers, assesses and declares regulated substances. Since 2011, the Company has analysed the impact of over 1,100 substances and qualified and deployed substitutes for over 100 substances in 300 products. Currently, the Company is actively working to substitute 65 substances in its own design, and an additional 45 in its supply chain, over the next 5 years.

Airbus invests substantial time and resources in research and development for technologies that use alternatives to regulated substances. When it can be demonstrated that these technologies meet the strict safety and reliability criteria required for aviation, Airbus seeks to implement them in its aircraft design and manufacturing.

For example, in 2006, the Airbus Chromate-Free project was launched with the aim of developing, qualifying and deploying chromate-free alternatives to materials containing and processes using chromates in aircraft production and maintenance. Chromate-free external paint systems developed initially for the A380 programme are now used in all Airbus commercial aircraft manufacturing programmes and across the aerospace industry.

Another example is the Airbus Basic Primer project that researches potential alternatives with the aim of phasing out the green chromated primer coat.

Cultural change

Corporations across industries are increasingly realising how essential their employees are as stakeholders in the conversations driving their business. At Airbus, this is no exception. The people who work here see sustainability in the aerospace industry not as an add-on to the business priorities but as an important part of their personal motivation in everything they do.

According to a 2018 survey, 11% of the Airbus Toulouse-based employees cycle to work. An annual event is organised by the company to spread the initiative.

As part of its roll out plan, high5 + initiated a group-wide communication campaign to engage employees on day-to-day actions in order to reduce their environmental impact.

V. Future Outlook

"*By 2050, we have made the commitment to bring CO_2 emissions to half of 2005 levels. A new generation of technology, research and development, and our total respect for the planet lay the foundation for a more sustainable aviation* *industry. By demanding more of ourselves in the areas of research, supply, production and operations, we can demand less of our planet. This clears the path toward a future in which we can connect more people than ever before, in the most sustainable way possible*." Guillaume Faury - Airbus CEO

New technologies

When it comes to research and technology portfolio, the Company's first priorities are set on designing and maturing the technologies, which will then enable us to come to the market with an emission free aircraft.

The E-Fan projects are contributing to illustrate and disseminate the idea that electrically-based propulsion will probably be the next major breakthrough in our industry. So far, the E-Fan programmes have delivered assets and knowledge, but also aim to provide momentum for electrification with Airbus taking a lead in the vision and its drive. E-Fan X is the next step of our electrification journey.

In order to advance aerodynamics research, Airbus has developed a scale demonstrator aircraft with the first inflight, freely flapping wing tips that could revolutionise aircraft wing design through a biomimetic approach. Known as AlbatrossONE, this remote controlled aircraft has already taken its first flights to prove the concept.

Airbus' fello'fly project aims to demonstrate the technical, operational and commercial viability of two aircraft flying together for long-haul flights. Through fello'fly, a follower aircraft will retrieve the energy lost by the wake of a leader aircraft, by flying in the smooth updraft of air it creates. This provides lift to the follower aircraft allowing it to decrease engine thrust and, therefore, reduce fuel consumption in the range of 5-10% per trip.

c. Responsible Defence and Space Products

I. Governance

The Company delivers defence and space products and solutions that enable governments and organisations to protect people and resources, and it aims to do so in a sustainable, respectful and fair manner.

This commitment is defined in terms of two thematic areas:

1. A more secure world: Contributing to protecting citizens and nations' sovereignties, values, and infrastructure in a world of evolving threats; and
2. A healthier environment: Designing products with a smaller eco-footprint and developing solutions to better monitor and manage natural resources.

In 2019, Airbus Defence and Space's R&S Governance Committee set a long-term objective to expand the number of products and services that contribute to its sustainability goals and the eight aforementioned UN SDGs. While inventive solutions are in the pipeline, this section describes solutions that currently contribute to a more secure world and a healthier environment.

II. Initiatives

A. PRODUCTS FOR A MORE SECURE WORLD

As long-standing threats to public safety and infrastructure are compounded by emerging risks that take on new forms in our cyber age, the Company aims to increase the safety of communities and protect human lives through its defence solutions, space-based intelligence and communication, and cyber security solutions. Representative contributions include:

Maritime

The Company makes locating, tracking and communicating with seafaring vessels across the globe's vast and remote oceans possible through its optical and SAR satellite imagery. Its Ocean Finder solution allows customers to monitor ships and activity at sea, which may be at risk due to illegal activities, hijacking or hostile waters and can assist with search and rescue efforts.

On the dock, ports need software to enable the secure and efficient movement of levied goods, and in the water they need to monitor incoming sea vessels to ensure safe movement among cruise ships, freight liners, private vessels and tankers. The Company provides real-time maritime information to help organise port traffic, provide navigation assistance to vessels and ensure smooth goods operations on land. Australia, with one of the largest harbours in the world with 1.6 million passengers passing through its Port Authority, depends on Airbus' STYRIS® system to manage Sydney Harbor and Port Botany.

Public Safety

The Company helps to protect societies and cities by providing communication and collaboration solutions to government authorities, law enforcement agencies, emergency services, healthcare providers and other public safety organisations. Their solutions enable authorities to respond to, and collaborate on, multiple simultaneous missions, often in emergency or high-security scenarios, through the sharing of high-value information (voice and data). The Company has equipped 19 nationwide networks for public safety forces (of which 13 are in Europe) and more than 30 networks for local authorities and defence forces.

When security threats arise at large events or gatherings of people, the Company offers real-time secure data and surveillance, cyber security, secure connectivity and situational awareness.

Critical Infrastructure Protection

The Company protects government installations, air bases and military sites, ports and airports, sensitive industrial sites and civil infrastructure. The focus of our critical infrastructure portfolio is to provide operators of protected facilities with situational awareness of that site, as well as with actionable intelligence and command and control systems that enable them to respond to threats and manage incidents when they do occur. For example, Airbus communications solutions help to secure over 100 metro lines, 20 airports and 11,000 km of pipelines.

Secure Connectivity for Transportation

With the growth of large urban areas around the world, efficient but safe transportation is vital. The Company provides some of the busiest airports, train stations and underground train systems in Europe and China with its Tetra system, a secure radio communication network, allowing hundreds of users to securely communicate in real time. These operators rely on Airbus' secure communications to relay urgent and confidential messages in emergency situations.

Cyberspace Protection

Airbus CyberSecurity's Orion Malware solutions provide businesses with the ability to detect malware in their networks and investigate emerging threats. In the past when the French TV channel (TV5 Monde) suffered an unprecedented cyber-attack, taking the station offline, Airbus CyberSecurity provided a fast and satisfactory resolution of this crisis.

Defence and Security

The Company works with the EU, NATO and other governments to supply the necessary equipment to support their efforts to make the world a safer place. Nations need defence systems and equipment to guarantee sovereignty, security and human rights. The Company's military aircraft, satellites and security technologies help protect democratic values around the globe. A partnership with the Company also helps them to protect their nations from the changing nature of terrorism threats and cybercrime.

Airbus Defence and Space does not produce nuclear weapons. Through its 50% share in ArianeGroup, there is a connection to the French Nuclear Deterrence Programme as ArianeGroup produces the M-51 launcher. However, the warhead is exclusively built by France's Directorate General of Armaments (DGA).

B. PRODUCTS FOR A HEALTHIER ENVIRONMENT

The Company has been a trusted provider of governmental space capability since the birth of European space 50 years ago, delivering satellites as well as data solutions that inform decision making on significant environmental issues. Its aerial imagery of climatic and environmental changes around the planet reveal the scale of change and dependencies at work, deepening understanding of Earth's systems and enabling smarter responses.

Earth Monitoring

Copernicus, the EU's Earth Observation programme, is the biggest provider of Earth observation data in the world. Its images are vital to managing the health of our planet. The Company contributes to all the Copernicus Sentinel satellites and its SpaceDataHighway, a near-real time laser communication relay, is used to transmit data from the Sentinel-1 and -2 satellites. Airbus satellites include:

- Sentinel-2, which circles the Earth's landmasses every ten days, delivering data for agriculture, forestry, natural disaster monitoring and humanitarian relief efforts.
- Sentinel-5 Precursor, which provides critical insights in helping to understand and mitigate the effects of climate change.

Other Airbus satellites in orbit include:

- ADM-Aeolus provides global observations of atmospheric modelling and analysis techniques, which are used in weather forecasting and climate research.
- The MetOp satellites. Since their launch, errors in one-day weather forecasting have been reduced by 27%. The MetOp mission provides meteorological observations from polar orbit and contributes to long-term climate monitoring.
- Twin Grace-FO satellites are mapping the Earth's gravitational field to better understand movement of water, ice and land masses.

Agriculture

Satellite and drone imagery integrated with Airbus digital platforms enable agricultural stakeholders to understand and monitor crop growth. Platform solutions include:

- Verde helps farmers optimise crop scouting, irrigation, seeding, fertilization, and crop detection, to improve practices over the long run to get more out of fields in a sustainable way.
- Farmstar supports French farmers to improve their harvest quality with plot-specific accuracy, offering a complete range of information on the condition of crops (stand counts, nutritional condition, risk of disease, etc.) in order to rationalise fertiliser input and safeguard the environment.
- AgNeo provides agribusinesses with an innovative and reliable decision support platform to drive greater efficiency. It provides in-season actionable information utilising imagery, field data and weather insights.

Forest Management

Airbus' Starling is a private and independent tool that allows companies to monitor the implementation of their "No Deforestation" policies by tracking land cover change over time. Nestlé is using the Starling system to monitor its entire palm oil supply chain. Starling helps Nestlé understand better where deforestation occurs, what drives it and who is involved.

Sustainable Space

The Company is working to ensure a sustainable space environment to prevent space debris and protect valuable national assets, such as satellites in orbit around the globe. For example:

- Airbus is the first company to test technologies to clear out space junk and avoid spacecraft collisions. Three main debris removal technologies have been tested in orbit: harpoon, net and vision-based navigation. In addition, active debris capture using robotic arms is being developed on the Airbus site in Stevenage.
- Airbus also participates in research collaboratives that harness corporate and university know-how to work towards

preventing space collision (e.g., RemoveDEBRIS and Technology for Self-Removal of Spacecraft (TeSeR)).

- The ground-based Airbus Robotic Telescope (ART) is a test-bed which performs automated tracking and surveillance of satellites and debris in space. This is important to prevent satellites or the International Space Station from colliding with debris or each other.

The Company is wholly committed to ensuring its products meet space debris mitigation regulations as it believes in the importance of promoting sustainable space. Specifically, it is already aligning with the French Space Operations Act and the ISO standard 24113:2019 to avoid generation of debris in orbit and ensure safe removal of spacecraft from useful orbit at the end of life. Moreover, the Company is involved in task forces on Space Traffic Management, aimed at organising sustainable use of outer space as massive constellations become a reality.

Last but not least, as part of the advisory group of the World Economic Forum (WEF), the Company has also been promoting the Space Sustainability Rating (SSR) eco-label for space missions.

6.1.3 RESPONSIBLE BUSINESS

a. Ethical Business Practices

I. Introduction

The Airbus Ethics & Compliance programme seeks to ensure that the Company's business practices conform to applicable laws, regulations and ethical business principles, as well as developing a culture of integrity and speak-up. In 2019, Ethics and Compliance continued to be a top priority for the Company as for 2018 and 2017. In its list of priorities for the year, the Company set the objective to: "Enforce respect of Airbus ethics & compliance standards and principles".

The Company 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 Compliance, Export Compliance and Data Protection Compliance. 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.

Improving the Ethics & Compliance programme remains a constant and ongoing process, in cooperation with other functions within the Company, in order to sustain and capitalise on our values.

II. Governance

The Ethics & Compliance organisation is part of the Legal Department under the ultimate responsibility of the Airbus General Counsel. The aim is to provide strong governance throughout the Company with the global presence of qualified compliance officers who ensure the Ethics & Compliance programme is implemented consistently in the different functional and operational areas.

The Airbus Chief Ethics & Compliance Officer, who reports to both the General Counsel and the Ethics & Compliance Committee of the Board of Directors, leads a dedicated team of Compliance professionals who are responsible for supporting and advising across the Company on compliance related topics, performing risk assessments, drafting policies, conducting third party due diligence, investigating compliance allegations, implementing tools and controls and delivering compliance training.

The Ethics & Compliance Committee of the Board of Directors also plays a key role in the oversight and continued development of Airbus' Ethics & Compliance programme, organisation and framework for the effective governance of ethics and compliance.

In addition to the dedicated Compliance professionals, the Company re-launched a network of part-time Ethics & Compliance Representatives (ECRs) in 2019, spanning all divisions, functions, and regions. Although the ECR network members 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 and compliance concern, including but not limited to bribery or corruption.

Likewise, the network of Data Protection focal points in the business (functions and affiliates) grew considerably in 2019.

III. Risk Management

The Company is required to comply with numerous laws and regulations in jurisdictions around the world where it conducts business. This includes countries perceived as presenting an increased risk of corruption.

Accordingly, since 2017, the Company has been conducting a thorough bribery and corruption risk assessment across its different Divisions and businesses. The results of this risk assessment are embedded and monitored within the Company's Enterprise Risk Management framework and highlight, among others, the risk of improper payments being made to or via third parties such as business partners, 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 Airbus employees.

In order to ensure its compliance with Export Control regulations and laws in the EU, US and internationally, the Company has also initiated a review of its Export Control compliance programme. Where risks are identified, the Company will implement corrective actions to mitigate these risks which are embedded and monitored within the Company's ERM framework.

Regarding Data Privacy, the Company systematically undertakes Privacy Impact Assessment for applications meeting the criteria (nature of the personal data processed or scale of the processing, etc.) as defined by the General Data Protection Regulation (GDPR). In addition, risks derived from GDPR are also assessed in the context of the ERM and kept updated.

Specific directives have been adopted to address the key compliance risk areas at Airbus. These include among others:

- Requirements for Gifts & Hospitality
- Requirements for Sponsorships, Donations and Corporate Memberships
- Requirements for the Prevention of Corruption in the Engagement of Business Development Support Initiative Third Parties (BDSI)
- Requirements for the Prevention of Corruption in the Engagement of Lobbyists & Special Advisors
- Requirements for Supplier Compliance Review
- Requirements for Preventing and Declaring Conflicts of Interest
- Requirements for the Prevention of Corruption related to Mergers & Acquisitions, Joint Ventures and similar Transactions
- Method for the Prevention of Corruption in the Context of International Cooperation & Offset Activities
- Requirements for Anti-Money Laundering/Know your Customer
- Export Compliance Directive
- International Trade in Arms Regulations (ITAR) Part 130 Directive
- Data Protection Directive, Method and Binding Corporate Rules

The Ethics & Compliance organisation is charged with oversight and monitoring of these directives to ensure that they are being implemented effectively. Periodic controls on key processes are performed and reports provided to the Airbus Executive Committee and the Ethics & Compliance Committee of the Board of Directors, including recommendations to strengthen the Ethics & Compliance programme where necessary.

In addition, the Corporate Audit & Forensic Department conducts periodic, independent audits of Airbus compliance processes to assess the effectiveness of internal controls and procedures and allow the Company to develop action plans for strengthening such controls.

IV. Initiatives

Awareness and Training

All Airbus employees are required to undergo a minimum amount of compliance training via e-learning. Additionally, depending on the function, the country and the level of risk implied by their role, some employees may be selected to attend face-to-face training as well. Attendance in such cases is mandatory, and managers have a responsibility to ensure that their team members do so.

From 1 October 2018 to 30 September 2019, the Company's employees followed 185,365 Ethics & Compliance, including on corruption and bribery, digital training sessions. Furthermore, 3,020 employees attended face-to-face HR catalogue trainings on different E&C topics in 2019.

Last but not least, Ethics & Compliance led a series of E&C symposia targeting Executives and Senior Managers in 2019, aimed at raising awareness on ethics and compliance issues.

Speak-Up Channel: OpenLine

The Company recognises that the Code of Conduct cannot address every challenging situation that may arise. The Company therefore encourages its employees to speak-up through various channels, including through OpenLine (available at https://www.airbusopenline.com). The OpenLine enables users to submit an alert securely and confidentially, and also to ask questions related to ethics and compliance. In 2019, the Company decided to further improve the accessibility and use of the OpenLine by extending its coverage to third parties and by offering an anonymous option when authorised by law.

In addition, the dataprotection@airbus.com mailbox is systematically published in the Airbus data protection policies and information notices specific to the various apps, for the purpose of exercising data subjects rights and /or lodging complaints.

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.

2019 Initiatives

The foundation for integrity at Airbus is the Code of Conduct. In 2019, the Company restructured and re-issued the Code, which is intended to guide daily behaviour and help employees resolve the most common ethical and compliance issues that they may encounter. The Code of Conduct applies to all employees, officers and directors of the Company as well as entities that the Company controls. Third-party stakeholders with whom the Company engages are also expected to adhere to the Code of Conduct in the course of performing work on Airbus' behalf.

In addition to the Code, the Company also updated its policy related to Gifts & Hospitality in 2019, and issued new policies related to the management of conflicts of interest and the due diligence screening and on-boarding process related to new suppliers.

V. Future Outlook

An effective Ethics & Compliance programme is one that, by definition, continuously adapts to changes and improves over time. Going forward, the Company will continue to assess its risks and monitor and test the implementation of mitigation measures at all levels: corporate level, divisions, regions and local entities.

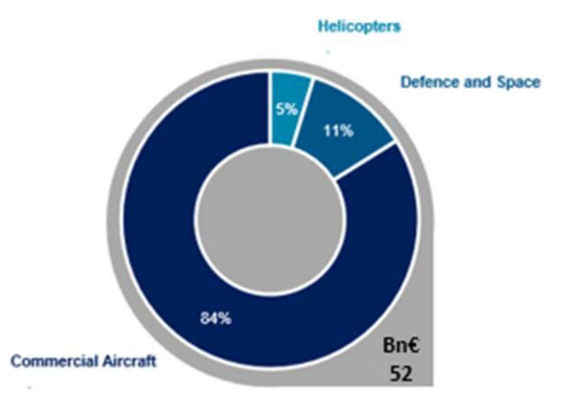
When misconduct reveals a gap in compliance policies, procedures or tools, the Company undertakes revisions to its Ethics & Compliance programme commensurate with the wrongdoing and in light of lessons learned. While compliance at Airbus will therefore always be a work in progress, the Company is committed to this endeavour, as it aims to make its Ethics & Compliance programme sustainable over time.

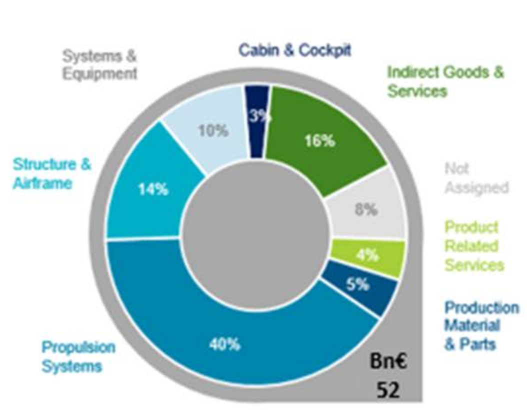
b. Responsible Suppliers

I. Introduction

Approximately 24,000 suppliers from more than 100 countries supply parts, components, systems and services to the Company.

In 2018, the overall external sourcing volume of the Company was valued at around € 52 billion and shared between Divisions and purchasing commodities as follows:



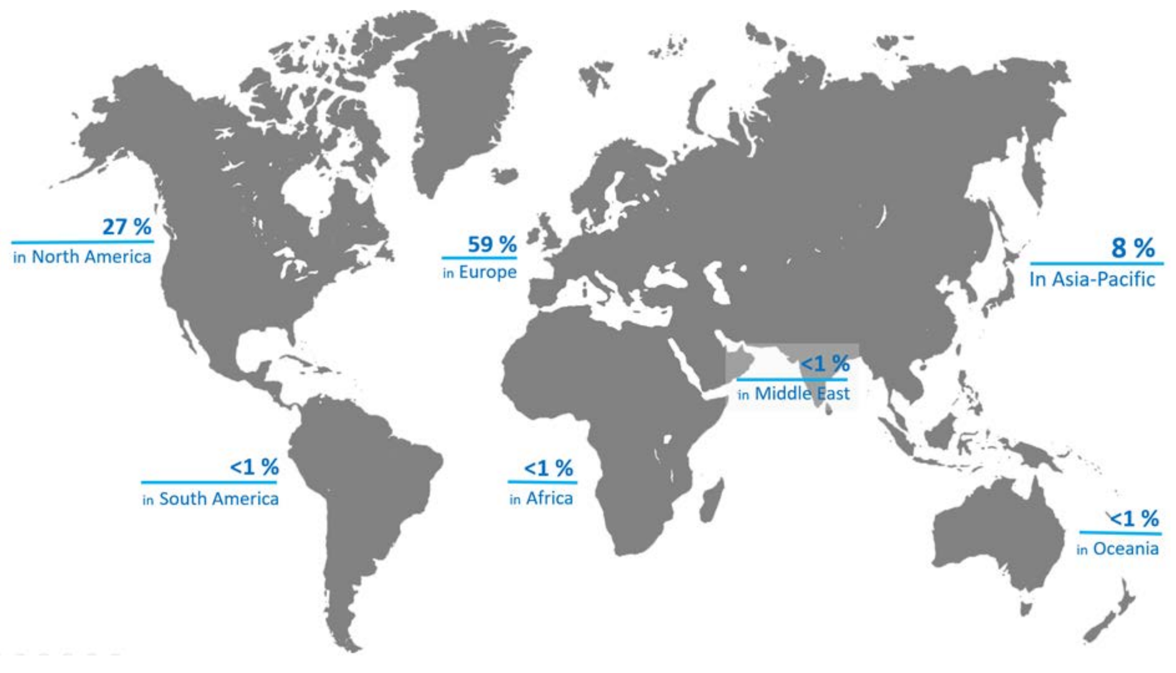


Source: PYDAP Procurement Performance & Reporting Services; Airbus Sourcing Report 2018

Whilst the Company's products and services are sold all over the world, the majority of its supply chain is based in Europe and OECD countries.

However, in the past few years, the supply chain has become concentrated and more international. The Company has identified local sourcing in Asia as one of its leading long-term objectives. In addition, and due to increasing consolidation within the aerospace and defence sector, larger work packages are being placed with a smaller number of lead suppliers.

The Company's global sourcing footprint is represented as follows based on Tier1 and subtiers data:



To promote further globalisation of its sourcing footprint, Airbus has established regional sourcing offices in North America, China & East Asia and India.

For the sourcing of indirect Goods and Services, the Airbus General Procurement function is represented in the three core regional sourcing offices. Throughout China, India and North America, Airbus General Procurement has over 50 employees managing "Local for Local" activities across 18 sites. Airbus General Procurement will continue to grow the global footprint by implementing new developments within Asia Pacific (Singapore and Malaysia) and the Middle East throughout 2020.

Airbus and its Divisions being certified ISO14001, the Procurement function is acting in adherence with ISO 14001 requirements.

II. Governance

Responsible sourcing and supplier management

The Company strives to make environmental and societal responsibility a core element of its procurement process, managing the relationships with suppliers through sourcing strategy, supplier selection, contract management, supplier monitoring and development.

The Company's suppliers must comply with all applicable laws and regulations of the countries in which operations are managed or services provided. In addition, wherever suppliers are located, all business should be conducted in compliance with the Airbus Supplier Code of Conduct.

The Airbus Supplier Code of Conduct is the document of reference for Airbus' responsible supplier management (available at https://www.airbus.com/content/dam/corporate-topics/corporate-social-responsibility/ethics-and-compliance/Supplier-Code-Conduct-EN.pdf).

This Supplier Code represents the group-wide values and principles in line with internationally recognised standards and conventions (such as OECD and ILO). It has been developed with the International Forum on Business Ethical Conduct (IFBEC).

Responsibility and sustainability activities in the supply chain are managed by the Procurement R&S department together with divisional representatives and a network of focal points from the different purchasing commodities. The Head of Procurement R&S department is part of the Procurement Leadership Team (PLT).

The central Procurement R&S department manages integrity topics and awareness within the Procurement function and deploys the corporate Supplier R&S programme with related supplier due diligence actions. The Supplier R&S Programme Manager is also part of the corporate cross-functional group, the R&S Network.

In response to legislative developments and new regulatory requirements, Airbus launched in 2017 the Supplier R&S programme, a transverse governance structure for environmental, human rights, health and safety issues. It is based on the following key elements and principles of due diligence following the OECD framework on responsible business conduct:

- Supply base risk mapping
- Supplier assessment/audits and development plans
- Supplier engagement and contractual requirements
- Policies, tools and reporting

For anti-corruption topics in the supply chain, the Procurement department cooperates closely with the Legal & Compliance department.

III. Risk Management

The Company's direct procurement-related risks are embedded into the Company's ERM system. A specific risk category regarding R&S-related risks in the supply chain has been integrated into the risk management plan.

a) Regulatory non-compliance

The Company may not obtain sufficient visibility and information from its supply chain in regards to compliance with environmental, human rights, health and safety laws and regulations and a supplier's adaptation of international sustainable development goals.

In the event of an industrial accident or other serious incident in the supply chain, or any problems of the supplier to fulfil its operational or product compliance, this may also have a significant adverse effect on the reputation of the Company and its products and services. The Company's reputation may also be affected by the public perception of social and/or environmental impacts of its supply chain's industrial operations on local environments, communities, biodiversity and the general public's health.

b) Supplier's impact on local environment

From the extraction of raw materials to the manufacturing of parts delivered to the Company, a supplier's industrial operations may have significant environmental impacts on the local environment where the activity is performed, with possible impacts on air, water, soil, biodiversity, workers' occupational health and safety and on the general public's health.

c) Disruption risk

In the event that a supplier fails to comply with environmental, human rights, health and safety laws and regulations, even if caused by factors beyond its control, that failure may result in the levying of civil or criminal penalties and fines against the supplier. Regulatory authorities may require them to conduct investigations and undertake remedial activities, curtail operations or close installations or facilities temporarily to prevent imminent risks.

In response to above a) to c), the Company deploys responsible sourcing activities and specific supplier due diligence actions in frame of the corporate Supplier R&S programme.

d) Risk of product non-compliance

The various products manufactured and sold by suppliers must comply with relevant environmental, human rights, health and safety laws and regulations, for example those designed to protect customers and downstream workers, and those covering substances and its contents, in the jurisdictions in which they operate. Even if a supplier seeks to ensure that its products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the REACH regulation) may force it to adapt, redesign, redevelop, recertify and/or remove its products from the market. Seizures of defective products may be pronounced that could prevent delivery to Airbus.

In response, a Procurement Task Force has been established in order to have a group-wide governance for supplier management and assessment of chemical regulations and obsolescence impact.

IV. Initiatives: Airbus Supplier Vigilance Plan

The Company requires commitment to responsible business practices and sustainable development from all suppliers of its entities and strives to make environmental and social responsibility a core element of our sourcing and supplier management process. This joint commitment is a key element in securing success, conformance to applicable laws and a sustainable future of the aviation industry.

1. SUPPLY BASE RISK MAPPING

Social compliance risks

Since 2018, the Procurement R&S department has performed a proactive social risk mapping in line with international guidance, internal commodity expertise and externally available country indices. The risk mapping resulted from both a country risk and a purchasing category perspective considering indices like child labour, modern slavery/forced labour, recruitment practices, working time, wages, people safety at work and freedom of association. In 2019, the methodology has been formalised and published in an internal commodity guide and applied to the entire Company.

Environmental compliance risks

In addition, an environmental risk mapping has been performed, taking into consideration categories such as the existence of hazardous substances, energy consumption, CO2 emissions, water usage, waste management, air pollution and specific local Chinese environmental regulations. In 2020, environmental risk mapping will be included in the above methodology.

Number of business-relevant external risk suppliers identified in 2019 (thereof lower tiers)

Source: Procurement Responsibility & Sustainability Risk mapping methodology and Airbus Sourcing Report 2018

Supplier factory visits

Related to the commercial aircraft activities of Airbus, the Gemba Walk pocketbook is a practical and visual guideline for Airbus employees visiting a supplier's shopfloor, which supports the identification and reporting of risks or improvement opportunities observed during factory visits.

A dedicated pocketbook on environment, health & safety and human rights risks has been developed in 2019 and published on the Airbus intranet.

2. SUPPLIER ASSESSMENT /AUDIT AND DEVELOPMENT

In 2019, the Company has worked with external expert companies for the performance of R&S related desktop assessments and specific on-site audits. The assessments cover social compliance criteria such as human rights, labour practices, health and safety and anti-corruption as well as environmental regulations and sustainability criteria based on the environmental questionnaire developed by the IAEG.

All business relevant external risk suppliers are eligible to an R&S assessment by an external expert company. By end of January 2020, the Company had launched approximately 55% of such assessments with a target to reach 100% by end of 2020.

Specifically on environmental matters, the Company further fostered REACH awareness in the supply chain and engaged with suppliers to accelerate the substitution and manage the use of the most hazardous substances. In particular, regarding the REACH EHS readiness of suppliers, the Company focused on:

- Engagement with 223 in situ suppliers through webinars and supplier conferences to develop their readiness to comply with enhanced REACH EHS conditions when working on Airbus sites. Further direct exchanges with AIRBUS EHS experts has been organised with 25% of them.
- Evaluation of the maturity of external suppliers in Airbus qualified processes in regards to the future enhanced protection requirements that are being defined by the European Commission. Out of 357 suppliers of Airbus qualified processes using chromates in industrial processes, the 80 most impacting suppliers have been assessed on-site in 2019 by a third party on behalf of Airbus.

3. SUPPLIER ENGAGEMENT

Contractual requirements

The Company's standard procurement contract templates have evolved over the last few years to reinforce R&S related clauses that require suppliers to:

- Comply with all applicable laws and regulations relating to production, products and services;
- Provide information on substances used in manufacturing processes and contained in the product itself;
- Provide information on environmental, health and safety matters such as safe usage and management of products across its lifecycle (including waste management);
- Implement an Environmental Management System based on ISO 14001 or equivalent;
- Comply with the Company's anti-corruption and bribery requirements; and
- Comply with the Airbus Supplier Code of Conduct, including with regard to environment, human rights, labour practices, responsible sourcing of minerals and anti-corruption.

In 2019, the full scope of clauses were included in new contracts by default and the implementation in existing contracts has started according to the contractual roadmap of each purchasing commodity.

During the 2019 Annual Supplier Conference for the commercial aircraft business of Airbus, for the first time an award was presented to two suppliers with regard to responsibility & sustainability. This award recognised these suppliers for their efforts to drive sustainability within the Airbus supply chain.

4. TRAINING & AWARENESS

Throughout 2019, the Procurement R&S department supported both internal awareness sessions and workshops as well as external supplier meetings on responsibility & sustainability in the supply chain.

The Company's internal Procurement Academy provides training on core competences and skills to develop procurement expertise and prepare employees within the Procurement department for the challenges of the future. R&S modules are embedded in Procurement's newcomer induction path and manager development programme.

The e-learning specifically developed for the Procurement population on environmental issues has been updated in order to reflect the latest status of laws, regulations and Airbus internal processes. This training targets supply chain quality managers, ordering officers and buyers.

5. POLICIES & TOOLS

The Company is currently assessing all Procurement processes and tools in order to integrate R&S-related requirements, where relevant, on top of environmental requirements, which are already largely considered. This will lead over the next years to the adaptation of Procurement process & tools managed by the Procurement strategy teams and creation of specific guidelines and/or commodity awareness.

Grievance mechanism

Since 2019, the Airbus OpenLine is available to external stakeholders, such as suppliers and their employees, as a secure and confidential channel through which they may, on a voluntary basis, raise alerts related to Airbus in the areas of bribery, human rights, environment and health and safety. This medium is available through the Airbus OpenLine website (www.airbusopenline.com) in 13 languages. For more information on OpenLine, see "Ethical Business Practices" in section 6.1.3(a).

6. WORK WITH EXTERNAL STAKEHOLDERS

As mentioned under "Environment" in section 6.1.2(b), Airbus is a founding member of IAEG, which is working on common aerospace industry standards and tools to manage environmental obligations.

More specifically, for supply chain the IAEG has developed:

- A Supply Chain Environmental Survey, which has been implemented in 2019 at Airbus and will be used as the environmental assessment module as mentioned in paragraph 2 above.
- An EMS implementation guideline to encourage a wider up-take of environmental management systems as appropriate for each company in a phased approach and cost effective, consistent and supportive manner.
- A GHG Reporting Guidance, including a parametrical approach to evaluate emissions.

IAEG has also set-up a working group in 2019, to define an Environmental Qualification Program to assess and develop the environmental maturity of suppliers.

In October 2019, the Company joined the Responsible Business Alliance's Responsible Mineral Initiative (RMI), in order to further enforce activities of responsible sourcing while applying industry standards for supplier due diligence and data management in accordance with the OECD framework.

7. PROMOTING DISABILITY FRIENDLY COMPANIES

Since 2011, Airbus in France has been promoting employment of disabled people by its suppliers. Concretely, a specific mention is integrated into all relevant calls for tender that are launched, requesting bidding suppliers to propose a partnership with a disability friendly company.

At the end of 2019, the global volume of business with disability friendly companies in France was € 50 million with an increase of 20% compared to 2018 for Airbus in France. At the end of 2019, 60 disability friendly companies are working with Airbus compared to 10 in 2010.

In November 2019, the Company organised its first (Dis)Ability Forum in Hamburg to increase its cooperation with disability friendly companies in Germany.

8. CONFLICT MINERALS

The Company places great importance on the responsible sourcing of materials used in manufacturing. Some minerals including 3TG (tin, tungsten, tantalum and gold) are necessary for the proper functioning of components within its products. The Company largely does not directly import minerals but these minerals are found in certain products the Company procures.

In that context, the Company requires from all suppliers to comply with applicable laws and regulations on conflict minerals, including 3TG.

For the small portion of direct procurement of minerals in Airbus Defence and Space, the Company has established a dedicated Conflict Mineral Management System. This document describes the necessary activities needed to monitor potential future legal obligations linked to the upcoming EU regulations on the importation of 3TG.

To outline the Company's commitment to responsible business, the Responsible Mineral Policy was released in 2019 (available at https://www.airbus.com/company/sustainability/human-rights.html), which details its engagement to improve safety and human rights conditions in the mineral supply chains.

9. PLASTIC-FREE SUPPLY CHAIN

Aligned with the R&S Charter and SDG 12 (responsible consumption & production), a dedicated project has been launched at Airbus Defence and Space with the aim of reducing, reusing and recycling plastic waste and packaging in Airbus area of involvement by 2025. This includes the following initiatives in relation to Airbus products, logistic flow and the supply chain:

- implementation of optimised processes for inter-site/supply chain deliveries
- review of specification and contractual requirements of packaging
- review of the current take-make-waste extractive industrial model and promotion of the circular economy approach

towards a sustainable way to use plastic.

Discussions to extend this project to both Divisions and to enlarge to packaging at large have started in 2019 and will continue in 2020.

10. CO_2 EMISSIONS

In 2019, Airbus undertook an initial assessment of its scope 3 “Purchased Goods and Services” impact using a methodology developed by IAEG.

V. Future Outlook

The Supplier R&S programme activities will evolve to actively mitigate R&S risks in the supply chain, adapt to evolving R&S requirements and our ambition as a sustainable company.

From 2020 onwards, Airbus will conduct R&S-related on-site assessments and specific development plans with a certain number of risk suppliers identified during the self-assessment campaigns that were launched in 2019.

The Company aims to embed R&S assessments systematically in the supplier approval, monitoring & control process to assess in the future not only suppliers in specific R&S risk countries and activities but all suppliers that are strategic and critical to business.

Specific R&S training modules and solutions will be developed for both internal use and awareness in purchasing commodities and some specifically to be made available to suppliers through the supplier portal and online.

Regarding environmental sustainability and substance management, the Company will focus on the following in 2020:

- monitoring of the mitigation action plan to close the findings of the REACH readiness assessment conducted in 2019;
- identification of Airbus suppliers contributing the most to VOC emissions, water or energy consumption in order to request from them a regular monitoring and continuous improvement of their operational performance;
- identification of the key contributors to CO2 emissions in the supply chain and engagement in a supplier dialogue, to evaluate opportunities for GHG emission reduction and ways to monitor the progress.

6.1.4 RESPONSIBLE EMPLOYER

a. Workforce

As of 31 December 2019, the Company's workforce amounted to 134,931 employees (compared to 133,671 employees in 2018), 95.54% of which consisted of full-time employees. These statistics take into account consolidation effects and perimeter changes throughout 2019. Depending on country and hierarchy level, the average working time is between 35 and 40 hours per week.

Entries & Leaves	2019	2018	2017
Newcomers	**11,270**	**10,959**	**7,318**
Core division	6,643	5,246	3,900
Subsidiaries	4,627	5,713	3,418
Leavers (including partial retirement)	**5,842**	**6,198**	**5,151**
Core division	2,902	3,245	2,646
Subsidiaries	2,940	2,953	2,505

In terms of nationalities, 35.6% of the Company's employees are from France, 31.6% from Germany, 8.5% from the UK and 10.1% from Spain. US nationals account for 2.1% of employees. The remaining 12.0% are employees coming from a total of 142 other countries. In total, 90.1% of the Company's active workforce is located in Europe on more than 100 sites.

Furthermore, Airbus expects its workforce to evolve naturally to support the business.

Workforce by Division and Geographic Area

The tables below provide a breakdown of Airbus' employees by Division and geographic area, including the percentage of part-time employees.

Employees by Division	31 December 2019	31 December 2018	31 December 2017
Airbus Commercial Aircraft*	80,985	80,924	74,542
Airbus Helicopters	20,024	19,745	20,161
Airbus Defence and Space	33,922	33,002	32,171
Airbus (former HQ)	0	0	2,568
Group Total	**134,931**	**133,671**	**129,442**

* Airbus commercial Aircraft includes population of Airbus Former HQ since 01 January 2018

Employees by geographic area	31 December 2019	31 December 2018	31 December 2017
France	49,143	48,144	47,865
Germany	45,638	45,387	44,214
Spain	12,637	13,684	13,177
UK	11,109	11,214	11,304
US	3,151	2,489	2,707
Other Countries	13,253	12,753	10,175
Group Total	**134,931**	**133,671**	**129,442**

% Part time employees	31 December 2019	31 December 2018	31 December 2017
Group Total	**4.46%**	**4.22%**	**4.20%**

Active Workforce by contract type	31 December 2019	31 December 2018	31 December 2017
Unlimited contract	130,591	130,131	126,534
Limited contract > 3 months	4,340	3,540	2,908

Airbus´ attrition rate is 4.4% overall (incl. subsidiaries) and 8.43% in subsidiaries only.

Airbus' headcount reporting includes all consolidated companies worldwide. The internationally comparative figures are based on the active workforce, i.e. the number of permanent and short-term employees, irrespective of their individual working times. The headcount is calculated according to the consolidation quota of the respective companies. The scope for HR structure reporting covers about 99.9% of Airbus' total active workforce from consolidated companies. In total, about 0.1% of Airbus' employees are not included in the scope, as no detailed employee data is available at group level for some companies belonging to Airbus, usually recently acquired.

For more details on Scope and Methodology, please refer to the Airbus website at www.airbus.com.

b. Human Capital Management, Labour Relations and Human Rights

The Company's workforce is managed by the HR function thanks to a set of HR policies and a strong labour structure. HR policies are discussed and agreed with social partners through continuous and regular meeting at global and local levels. The current priorities of the Company's HR function are:

- to ensure that the Company can attract, develop and retain a world-class competent, motivated and flexible workforce, which fits current and future business requirements;

- to facilitate diversity, continuous integration and internationalisation of the Company and contribute to a common culture based on strong company values;
- to be a global employer of choice and an innovative, inclusive and engaging place to work for all employees.

Training & Mobility

In 2019, Airbus provided 1.5 million training hours and more than 12,000 participants took part in learning within the leadership domain.

	2019*	2018*
Number of Classroom Training	129,296	114,327
Number of Digital Training	397,938	248,448

** Change of reporting period since 2018: from 1 Oct to 30 Sep*

The training KPIs in this report are provided for the legal entities in which at least one employee followed a training during the year. These entities' headcount represents 97.6% of the total active workforce from full consolidated companies. Some entities may monitor local trainings outside of the group's centralised training tool MyPulse, the corresponding additional trainings are not included in the KPIs above.

In addition, in 2019 more than 37,900 employees benefited from other developments and transformation solutions proposed by the Airbus Leadership University. The purpose of the university is to strengthen the Company's approach to leadership, offering equivalent opportunities for all leaders to drive their development one step ahead, while accelerating the cultural evolution and human transformation of the Company.

Mobility of employees within or across Airbus and its Divisions is one of the main priorities for the overall benefit of the company. In 2019, as of end of December, more than 12,000 employees changed jobs cross-divisionally and cross-country.

Labour Relations

I. Introduction

Wherever it operates, the Company wishes to grow its economic success in consideration of common principles and standards consistent with International Labour Organisation (ILO) conventions, the OECD Guidelines for Multinational Enterprises and the principles laid down by the UN Global Compact, which the Company has adopted. The principles are in compliance with the Airbus Code of Conduct and with the International Framework Agreement signed in 2005.

II. Governance

In the International Framework Agreement, the Company reaffirms its willingness to respect the regulation regarding fundamental human rights, equal opportunities, free choice of employment, as well as prohibition of child labour and respect and ensuring the conditions for industrial dialogue.

The Company in particular intends, via its agreements, to respect the disposition of the following ILO conventions: numbers 111 (discrimination – employee and occupation), 100 (equal remuneration), 135 (workers' representatives), 29 (forced labour), 105 (abolition of forced labour), 182 (child labour), 138 (minimum age), 87 (freedom of association and protection of the right to organise) and 98 (right to organise and collective bargaining).

The head of each business is responsible for ensuring compliance with these principles.

The provisions of this framework agreement define the Company's standards to be applied wherever Airbus operates provided they are not in contravention of local law, insofar as more favourable conditions do not exist already. Monitoring will be defined to ensure that the provisions of this agreement are not breached wherever Airbus operates, insofar as more favourable conditions do not exist already.

The Company is in continuous dialogue with social partners on its sites in Europe, principally through meetings with management at the European Committee level but also through meetings and negotiations at national or local level.

Sites outside Europe are covered by Airbus' ILA framing the social dialogue and social culture in line with local labour legislation, culture and practices of respective countries and by the newly installed Airbus Global Forum – see below.

Regular social dialogue is ensured as per ILO requirements and local legislation thanks to Airbus' Societa Europea Work Council (SEWC) agreement in 2015 and reshaped in 2018.

Industrial relations and social dialogue are fully part of Airbus' DNA and, therefore, its continuous evolution and improvement are embedded in the Company's Human Resources strategy supporting Airbus' business challenges. Strengthening the role of industrial relations and social dialogue is an enabler of shaping the future of work through workplace cooperation, collective bargaining by enhancing cooperation between employees' representatives and top management.

III. Initiatives

Airbus joined the Global Deal for Decent Work and Inclusive Growth initiative ("Global Deal"). The engagement letter was signed conjointly by Airbus' Chief HR Officer, Head of Group Social Policies & Industrial Relations and Head of Responsibility & Sustainability. Developed in cooperation with the ILO and the OECD, the Global Deal is a multi-stakeholders' partnership that seeks to address two of the greatest challenges of our time: to reduce high and rising inequalities in opportunities and outcomes and to restore fading trust in the ability of governments and institutions to make economic growth work for all against a backdrop of rapid changes in the world of work. The Global Deal's founding principles aim at encouraging action through voluntary commitments, increasing knowledge base about social dialogue and sound industrial relations and providing platforms for sharing experiences and best practices. Airbus' active representation demonstrates that social dialogue's globalisation is rooted in Airbus' R&S strategy and commitments reflecting Airbus being an employer of choice.

In line with its commitments, the Company demonstrated its engagement through the following significant initiatives in 2019:

- In June, the first Airbus Global Forum (AGF) was held chaired by Airbus Chief HR Officer in presence of Airbus European Select Committee and Airbus Staff Representatives from Airbus main operating regions: Africa/Middle East, Asia Pacific, India, China, Latin America and North America. The AGF was launched with the aim of piloting constructive exchange of information with staff representatives at a global level, in line with responsibility and sustainability policies to further engage the social dialogue towards Company globalisation.
- In Spain and in France professional elections took place. For the first time, all French Airbus companies have voted between November and December.
- The main French entities of Airbus have signed beginning of March a group agreement with four representative unions (FO, CFE-CGC, CFTC and CFDT) about Employment and Career Paths Management. This new agreement is part of the Airbus "Future of Social Dialog" approach, which consists, in particular, of coordinating and simplifying the implementation of the new social norms that come out of most of the French government reforms (Loi "Avenir professionnel"). Employment and Careers Paths Management incorporates all processes and tools, in association with economic, technological, social and demographic changes and with respect to Airbus' strategy, which enables:
  - For the Company to improve its ability to anticipate its future competences and employment requirements, and to meet these by putting in place appropriate actions and mechanisms.
  - For employees to better manage their individual career paths and develop their competences and employability.
- New Gender Neutral Family Leave Policies and improved suite of family leave policies were implemented on 1 June 2019 in the UK. Airbus believes that these policies provide equal opportunities by ensuring they are accessible and equitable to all. Through thorough benchmarking, Airbus is confident that its policies compare well to other organisations and that Airbus is taking a lead in supporting cultural change. The aim is to help improve recruitment and retention and contribute towards closing the gender pay gap. The policies have been well received by employees so far and, in particular, Airbus has seen an increased interest in requests for information about Shared Parental Leave.

- Program for "Continuous Development for social partners" with social partners started. The implementation of modernised career management arrangements for mandated representatives to strengthen the attractiveness of union careers, enhance experience, sustain the link with business competencies and promote return to work:
  - Training courses, access to the Airbus Leadership University
  - Dedicated budgets
  - GEPP (job description database)
  - "Anti-discrimination" measures, wage development guarantees
- New union communication terms adapted to our increasingly digitalised world (i.e. relaxation of the use of e-mail towards members, more visibility on the Airbus Intranet, establishment of "communities" shared with Management during main negotiations). Strengthening the rules on confidentiality and data protection and complete overhaul of the use of the Airbus database to share compulsory social and economic information.

V. Future Outlook

In France, concrete and significant changes will come from the new metallurgy branch agreement that should be deployed in 2020. It will give Airbus the opportunity to re-negotiate all its company agreements, creating a "new social contract". This broad re-negotiation will also help us ensure the deployment of our HR strategy especially on New Remuneration Scheme. Anticipating this coming negotiation, a preliminary phase is currently ongoing to review our existing agreements and define our target.

In Spain, a three-year cross-Divisional intercompany agreement ("CBA") regulates social policies and has to be renewed for the period 2020-2022. For Airbus' commercial aircraft activities in Germany, the "Collective Agreement for the Future" will expire end of 2020. Main objectives of the future negotiation for both new agreements are:

- Competitiveness (cost contention + flexibility): in order to improve our competitiveness, we should not increase any labour cost. In relation to the flexibility that is a key topic to react against picks and deeps by the use of proper temporary contracts and new ways of working.
- Proximity: we need to be a customer-centric organisation that meets Business needs. CBA should be a valuable tool and not an obstacle for the Business development.
- Empowerment of Managers: managers should be empowered in order to give them flexibility to drive their business. Provide managers a framework to take decisions that fit with their own reality. Try to remove blocks points from the CBA that limit the decision capability of managers.

Human Rights

The Company has a zero tolerance approach to all forms of human rights abuse, including modern slavery, within its business, its operations and within its supply chain.

During 2019, the Company undertook a human rights impact and gap analysis across its global business to understand more fully its positive and potential negative human rights impacts. This analysis, conducted with the help of external consultants, considered current and upcoming regulatory requirements and international best practice as well as growing human rights requirements linked to the UN Guiding Principles for Business and Human Rights (UNGPs) within standards such as the UN Global Compact.

Salient areas of potential human rights risks:

- **Impact of products and services on the right to life and liberty** (passengers and citizens)
- **Privacy** (individuals and their personal data)
- **Impact of climate change on livelihoods** (climate vulnerable communities)
- **Forced and child labour** (contractors and supply chains)
- **Diverse and inclusive workplaces** (Airbus workforce and contractors)

The analysis also included an initial identification of Airbus' salient areas of potential human rights risks (see box with impacted groups in parenthesis). This identification was based on benchmarking of industry peers and companies in similar industries and analysis of stakeholder expectations. As they are subject to change over time, Airbus is committed to review these issue areas on a regular basis. Specific action plans based on these identified potential risks, as well as key recommendations from the analysis, are currently under consideration.

During 2019, Airbus started to identify potential KPIs related to human rights which could be used to measure progress. The following annual KPIs have been identified and will be reviewed on a regular basis:

- Number (or %) of assessments of Airbus' business relevant external risk suppliers (target to be determined in 2020);
- Number of due-diligence assessments carried out on Airbus sites, including subsidiaries and affiliates (target to be determined in 2020);
- Number of human rights concerns linked to modern slavery/fundamental freedoms reported via OpenLine and escalated for further investigation (0 in 2019);
- Number of participants who have completed e-learning modules on human rights and modern slavery (3,400 completed in 2019 – 8,372 in total to date).

UK Modern Slavery Act:

As part of its obligations under the UK Modern Slavery Act (MSA), the Company published its third statement in recognition of the global aim of this legislation. Human Rights, including modern slavery, continues to be a focus area for Airbus and during 2019 we continued the roll-out of our e-learning modules focused on helping employees identify the signs of human rights abuse and modern slavery, including raising awareness of what to do if they have concerns.

At the end of 2019, 8,372 participants had completed this e-learning, which is available in four languages and forms part of the ethics and compliance catalogue of learning. The Company is also committed to promote awareness through internal communication initiatives and awareness sessions.

A link to Airbus' latest Modern Slavery Statement can be found on the front page of the Airbus website.

c. Health & Safety

I. Introduction

The Company is committed to pursuing the highest standards of health and safety. The Company's health and safety priorities are the following:

1. protecting our people and the business from health and safety risks that could arise from our work activities,
2. fostering a health and safety culture in which we all accept appropriate responsibility for ourselves and others,
3. ensuring good management of work-related health, safety, and well-being as an ethical and commercial imperative, and
4. Business sustainability and compliance with the UN Global Compact

These priorities are expressed in the newly issued Airbus Code of Conduct.

II. Governance

The company-wide Occupational Health and Safety Policy, issued in 2018 is the foundation of the Company's system for management of health and safety at work. It applies company-wide: to Airbus' commercial aircraft activities, Airbus Helicopters and Airbus Defence and Space Divisions including affiliates.

The policy principles, mission and vision, and key initiatives continue to apply:

Policy principles:

- Responsible management of health and safety.

- All employees accepting appropriate responsibility for themselves and others.
- A health and safety management system that drives continuous improvement and compliance.
- A preventative approach.

Health and safety mission and vision:

- Our mission is to deliver a culture and management system that promotes health and safety at work, related compliance, and the sustained reduction of health and safety risks related to Airbus work activities.
- Our vision is that the Company has world class health and safety risk management and is known as a company where safety, health and welfare are valued as an integral part of our success. The Company aspires to zero work related injuries and ill-health.

Key initiatives:

- A health and safety management system based on the principles of the ISO Standard 45001.
- The implementation of a company-wide health and safety software platform (Federated Information for Safety, Health and environment called FISH).
- The reinforcement of a company-wide health and safety function by the harmonisation of health and safety philosophy and methodology.

This report further details the application of the policy principles and status of key initiatives.

Centres of Expertise are being developed within the health, safety and operational environment 'Centre of Excellence'. These Centres of Expertise address the various specialised disciplines of health and safety and environment, and engage the necessary key skills and competences. In addition, they are able to embark 'Communities of Practice' where needed to work on particular topics. These Communities of Practices are the evolution of the former transversal expert groups, providing advice and helping to improve management of risk control work, on the domains of industrial hygiene, occupational health and wellbeing, and safety management.

III. Risk Management

The Company continues structuring its corporate health and safety management framework based on the principles of the international standard – ISO 45001. Airbus sites either are pursuing systems based on the ISO45001 principles, or are already ISO45001 certified, or are OHSAS18001 certified and progressively transferring to ISO45001.

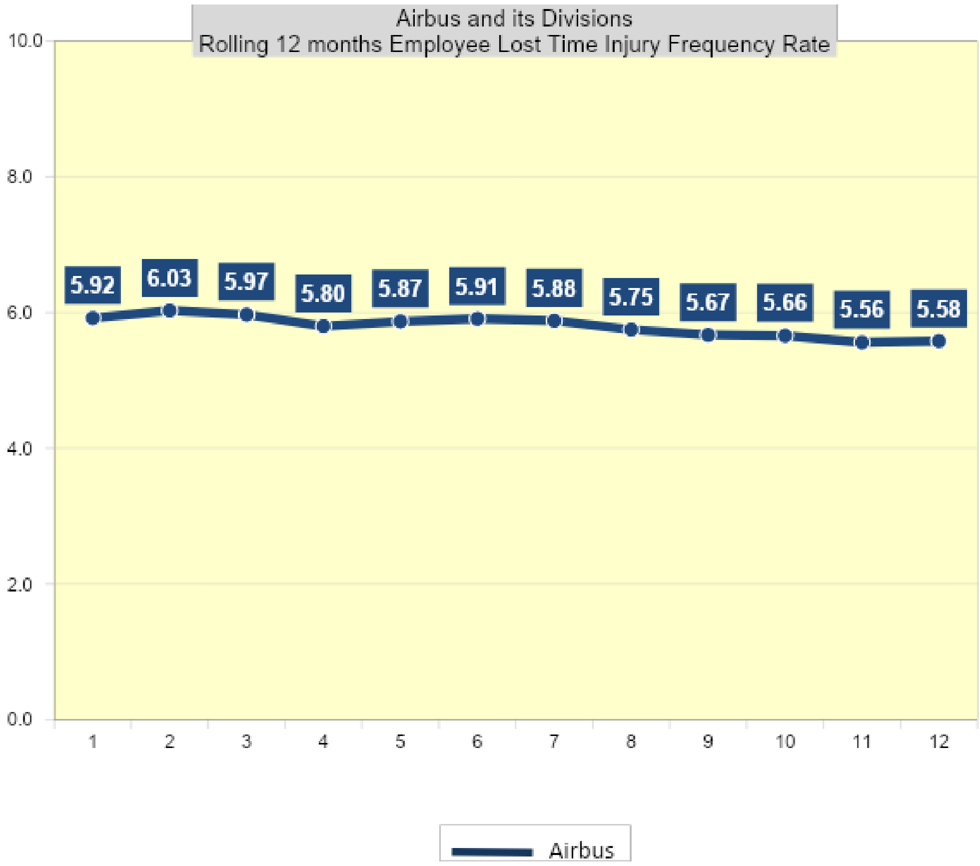
The Company is reinforcing its health and safety risk management process by building a standardised and company-wide method for risk assessment and control. The escalation process for significant health and safety top risks has also been further developed to raise such risks to top management, using the Company's ERM system. In common with many manufacturing organisations, main risks remain the possibility of injury, ill-health, asset damage, business interruption and regulatory action. In 2019, main causes of injury that could arise from work activities included slip, trip and fall, ergonomics and the use of hand tools and equipment. These represent the majority of injuries recorded using the FISH platform.

Since 2018, the FISH platform has been supporting the company-wide management framework for health and safety at work. The Company continued the development of the platform in 2019,enhancing the Company's incident, risk, health and safety capability.

The incident management module of the platform has now been deployed in Airbus and its Divisions in France, Germany, Spain and the UK, as well as the Airbus commercial aircraft plants in Mobile, USA and in Tianjin, China. The module supports the investigation, evaluation and analysis of work-related incidents and the development of risk mitigation actions. The deployment of the incident management module and the overall harmonisation process have allowed improvement in the production and collection of the overall company-wide key performance indicator, detailed below (rolling year average of the Lost Time Injury Frequency Rate).

The FISH platform will progressively improve the Company's ability to collect, analyse and report on work-related health and safety information, continuously improving the identification and mitigation of risk.

Collection of health and safety data has allowed Airbus to produce and publish an accident indicator at a company-wide level. The reporting scope of this harmonised health and safety data (reflected in the table below) covers Airbus and its Divisions for the four home countries as well as the Airbus commercial plants in Mobile, USA and Tianjin, China, and continues to be progressively extended. The table below represents the rolling year average of the Lost Time Injury Frequency Rate.



The People Safety@Work project was launched for Airbus' commercial aircraft activities in mid-2018. This project has the motto 'Nearly Safe is Not Safe', and it aims to improve the management of work-related injuries in operational areas and drive a safety mind-set. The project purpose is to embed a culture of excellence and a mind-set where risk prevention is core. The project is structured through a multi-functional team involving all impacted functions (e.g. Human Resources, Industry, Final Assembly Line, Facility Management, Procurement). The project has been extended company-wide in 2019. Actions from the People Safety@Work project are detailed in the Initiatives section, together with other health and safety actions, and have been included in the Next Chapter initiatives company-wide.

Since 2018, the particular focus on health and safety has been strongly supported by the Airbus Executive Committee, the roll out of the FISH reporting platform and the implementation of dedicated safety projects such as People Safety@Work, have reinforced the need to report incidents. This resulted in an increase of the Lost Time Injury Frequency Rate in 2018. In 2019, the rate slightly decreased.

IV. Initiatives

Dedicated initiatives, either local or company-wide focussing on occupational safety have been launched in 2019:

- Safety rules have been harmonised company-wide, by the creation of '6 Primary Safety Rules',
- Various communication campaigns have been run to remind workers of common health and safety issues, such as holding the handrail, being attentive and not focussed on mobile phone, wearing their safety cap,

- Safety days focusing on topics such as chemical hazards, road risk prevention, first aids,
- 'Safety Labs' have been installed in most of the Airbus' commercial aircraft sites. The Safety Labs are places to meet and exchange on safety subjects.
- The Airbus Helicopter 'Safety Boxes' concept has been adopted for Airbus commercial aircraft activities to reduce accidents and incidents by gaining employee commitment to safety rules. The Safety Boxes consist of a number of different activities which help to trigger discussion on safety matters between participants in an informal way. So far, ten Safety Boxes have been deployed for Airbus' commercial aircraft activities and more are planned for 2020.

As part of the continuous improvement objective, the 'REACH-IT' project within Airbus' commercial aircraft activities has pursued its initiatives to review Airbus manufacturing processes, tools and workstations in light of the REACH authorisation application measures for environment, health and safety protection. Similar initiatives are ongoing in the Divisions.

A review of on-site sub-contracting processes has been performed for Airbus' commercial aircraft activities and a project has been launched in order to harmonise the on boarding process of our on-site sub-contractors.

Employees' health is protected by programmes that include mandatory and voluntary health checks, health campaigns such as flu vaccination campaigns, stress or addictions guides, skin, vein or cardiovascular screenings and well-being management. Wellbeing weeks have been organised company-wide focusing on topics such as mindfulness, sophrology, harassment prevention.

The Company continues to use learning to support the integration of health and safety into the business culture, and has worked on the harmonisation of employees' training to ensure consistently high standards of delivery.

- From October 2018 to September 2019, the Company delivered over 148,000 hours of dedicated health and safety training to approximately 20,900 individual employees.
- Executives and managers have been encouraged to focus on health and safety, supported by a dedicated leadership development strategy.
- Executives are provided with an 'Environment and Health and Safety Masterclass' to enable their visible and active commitment. In 2019, over 70 executives attended the Environment and Health and Safety Masterclass.
- Additionally, the executives are offered practical training, 'Back To The Floor', to enable hazard-spotting and employee engagement during tours of factory floor. Over 200 executives have attended Back To The Floor since launch in May 2019.
- Managers at all levels attend the new 'Airbus Environment and Health and Safety Leadership Certificate'. This intensive course has four modules, which, if completed within a certain period, lead to an externally validated 'Environment, Health and SafetyCertificate'. Over 300 managers have attended the Environment, Health and Safety Certificate first modules since launch in September 2019.

V. Future Outlook

The reinforcement of the health and safety organisation will be pursued in 2020 to continuously enhance the health and safety management system with the aim to sustainably reduce risk to people, the environment and the business.

d. Inclusion & Diversity

The Company is convinced that diversity helps foster innovation, collective performance and engagement. Harnessing everyone's unique potential while ensuring an inclusive workplace is what it takes to succeed together. At Airbus, we live diversity as a core part of our identity: Airbus is proud of its European roots and passionate about its achievements around the world. More than 135 nationalities are represented and more than 20 languages are spoken within the Company.

The Company's approach to Inclusion & Diversity ("I&D") takes different forms including: I&D Advisory Board composed of Airbus executives and facilitated by the Head of I&D, dedicated training and awareness, internal incentives for international mobility, initiatives to attract women, flexible work-life solutions. In fact, the Company strives to ensure I&D is embedded in all it does, serves business purposes and benefits all employees worldwide. With full support of the entire HR function, I&D initiatives are run and coordinated by a dedicated team of experts worldwide. The Company's efforts are supported by platforms for exchange like "Knowing Me, Knowing You" and "Disability Community".

The company's efforts towards more inclusion and diversity are also supported by Employee Resource Groups (ERGs) through Balance For Business, the federating platform of Airbus ERGs. These are employee-led groups that foster a diverse, inclusive workplace aligned with organisational mission, values, goals, business practices and objectives. To date, this platform brings together over 11,000 volunteers, followers and allies. It is a group-wide business focused platform seeking to harness everyone's potential in a more responsible, safe, inclusive and balanced Airbus environment.

In line with its aspiration for a more diverse workplace, the Company is working to increase the number of applications from areas that are currently under-represented in its workforce, including but not limited to women, nationalities, age groups, disability and social backgrounds to ensure a broader range of candidates for open positions.

In order to support recruitment of women in all areas, the Company has entered into partnerships to increase the number of women starting a career in the aeronautical industry – for example with Capital Filles, Women in Aviation and IAWA. Internally, an I&D network of over 4,000 employees work on how to attract, develop and retain diverse profiles, especially women, in the Company. In parallel, the Company strives to increase the number of women in leadership positions, including through dedicated coaching and training such as "I Unleash My Potential" as well as by fighting stereotypes in internal conferences or workshops. In terms of internationalisation of profiles, Airbus facilitates the attraction of talents from around the world to Airbus' traditional home countries (France, Germany, Spain, the UK) through an International Graduate Programme enabling talents from all around the world to come and work on their development over one year at Airbus sites in Europe. In addition, Airbus also put in place several actions to boost mobility from other regions to the home countries. In regards to differently-abled profiles, Airbus has developed several partnerships to increase the number of applications from people with disabilities, like "Atout pour tous", "Handisup" and "Handi Pro Conseil". Airbus has created as well the "Club Handilink" in France, a club composed by aeronautical and aerospace companies to federate and foster best practices sharing about disability inclusion.

Although the Company welcomes many forms of diversity, it measures the evolution of the diversity of its workforce with a specific focus on gender diversity, internationalization and disability with key KPIs such as: proportion of women promoted to a position of senior manager or above, proportion of women among white collar external hires, gender pay gap at all levels between women and men, and the number of moves from the key countries (including India, China, US) to the home countries and disability employment rates.

The Company has launched several actions to embrace other forms of diversity, including:

- reverse mentoring to connect all generations in the Company;
- accompany the creation of Employees Resource groups like Pride@Airbus (LGBT+ network);
- develop a world-wide strategy together with local initiatives towards disability, with several thousand differently abled employees all around the world, that boosts best practices sharing and awareness towards disability inclusion.

For example, promoting the people-centric approach, a specific focus on the competences of and support to differently-abled candidatures to boost their access to employment at Airbus. This process was created at Airbus in France and thanks to it, Airbus has succeeded in doubling its disability recruitment objectives in 2019. Based on its success, Airbus is extending this people-centric approach to other countries like Spain, and business units, such as Airbus Defence & Space and Airbus Helicopters in France.

Another example is the Airbus Ability Weeks campaign, a three weeks world-wide awareness campaign in which Airbus hosts many activities with the objective of challenging the way we think about disability inclusion, promoting an “all concerned” philosophy towards disability inclusion.

As far as the Airbus SE Board of Directors is concerned, the Company is moving in the right direction with 3 women since 2017 compared to not a single woman on the Board in 2013.

For a description of the diversity policy of the Airbus Board of Directors, see section 4.1.2 Composition, Powers and Rules and section 4.3 Dutch Corporate Governance Code under the heading “Gender Diversity”.

	31 December 2019	31 December 2018	31 December 2017
Women in active workforce	18.0%	17.7%	17.5%
Women in management positions	13.1%	12.6%	12.4%

The reference to “management positions” in the figure above only applies to the top 4% of the active workforce.

e. Community Engagement

The Company recognises the importance of contributing to the development of the communities where it operates. Airbus was created by establishing a European partnership for a long-term industrial project and this same spirit of cooperation drives the development of the Company’s international footprint. Its approach to community engagement is driven by the willingness to develop a win-win cooperation with the local eco-system and often materialises through partnerships with local NGOs, institutions and other companies.

Economic and social Impact

Air transport industry is a major contributor to global economic prosperity: supporting a total of 65.5 million jobs globally, its economic impact is valued in $2.7 trillion (equivalent to 3.6% of world GDP). By facilitating tourism and world trade, it generates economic growth and jobs, improves living standards, alleviates poverty and increases revenues from taxes. But above all, aviation enables connectivity, a key element to ensure participation in a global economy, to encourage investments and innovation and to attract talent.

Airbus has a significant economic impact at a country level. In the UK, the last report of the Oxford Economics estimated that Airbus contributed £ 7.8 billion to the GDP, while its worldwide activities were estimated to sustain 117,400 jobs in the UK, counting 15,000 people directly employed by Airbus at UK sites and supporting another 64,000 jobs through its supply chain (in 2015).

Local Involvement

On a regional level, Airbus continued to support economic, academic and institutional players to create the conditions for long-term sustainability and innovation development. In Toulouse, Airbus is the largest employer in the region with 26,000 direct employees and having created 80,000 indirect jobs across the region in 2019. It also had a regional economic impact with purchases from local suppliers totalling € 5 billion.

In 2019, Airbus worked with its stakeholders in the areas of:

- Artificial intelligence. Airbus supported the creation of the Artificial and Natural Intelligence Toulouse Institute (ANITI). It aims at making of Toulouse one of the world leaders on the topic in research, education, innovation and economic development.
- Urban mobility: Following a public survey, a new line of the Toulouse metro was approved. All Airbus sites in Toulouse will be served, which is expected to reduce traffic in town.
- Quality of life: the Company works with its stakeholders to decrease nuisances from airports’ activities in neighbourhoods.

Bringing industry and education together, the Airbus Global University Partner Programme connects a network of 26 universities from 13 countries to develop the engineering and technology specialists of the future. Sponsorships and donations provided meaningful positive impact to communities around the world. With its company-wide framework, the Company's local contributions are aligned with global strategy, priorities and values, encouraging initiatives around:

- education and youth development;
- innovation & digitalisation;
- aerospace & defence community relationships;
- corporate citizenship and/or local community engagement;
- environment / sustainability.

In addition, Airbus is an active member in several industry associations and national or international advocacy organisations, such as GIFAS, World Economic Forum and Advanced Robotics for Manufacturing – ARM institute.

Volunteering at Airbus

The Company encourages and facilitate employees' initiatives to contribute to societal challenges in the communities around their workplaces.

In 2019, more than 5,000 Airbus employees were involved in volunteering for 97 initiatives.

The Humanity Lab, from Airbus ProtoSpace, offers employees an opportunity to develop initiatives with a societal purpose. Over 90 employees created innovative equipment (prosthesis, wheelchairs, baby weighing scales) responding to NGO's needs.

Airbus ProtoSpace, for example, supported by the Airbus Foundation, established the "Humanity Lab" as an opportunity for employees to volunteer their time, skills and knowledge to develop initiatives with a societal purpose. Responding to NGOs' needs, over 90 employees have created solutions such as dynamic prosthesis, an optimised wheelchair, or a portable and durable baby weighing scales to tackle malnutrition in developing countries.

"Airbus Balance for Business", an employee platform with more than 10,000 followers, covers outreach projects like "Fly with me", a mentorship programme of Airbus Africa Community to raise awareness of STEM education in Africa.

The Airbus Foundation

Since its renewal in 2018 for a further five years, the Airbus Foundation has significantly ramped up activities across its two strategic pillars: youth development and humanitarian emergency response. With 38 partnerships in place with non-profit and social enterprises, the Foundation seeks to undertake sustainable and impactful actions for the communities it supports.

The Foundation's goal is to support international aid organisations, using its products and services to help alleviate some of the world's challenges. Through its Humanitarian Flights Programme, the Foundation coordinates relief flights using Airbus test aircraft to transport emergency goods to support disaster relief, as well as offering customer to use the delivery of their aircraft to transport cargo for humanitarian organisations. It brokers the use of Airbus helicopters for emergency aerial assessment and cargo transportation, reaching isolated inaccessible communities; and the Foundation now provides dedicated satellite imagery to its selected partners enabling them to make rapid assessments of areas affected by disaster and aiding quicker, more informed decision making.

At the request of its partners, the Foundation extended its portfolio to include capacity-building activities to help those organisations strengthen their workforce in terms of knowledge, expertise and innovation, providing trainings on helicopter evacuation, medical services or satellite imagery analysis and opening the doors of the Airbus Leadership University for leadership and personal development courses.

Across its youth programs, the Foundation has engaged over 14,100 young people across the globe since 2012, and leveraged the support of more than 2,000 passionate employee volunteers. The Flying Challenge program operates on 25 sites in 10 countries inspiring young people to pursue their studies, promoting social inclusion and access to training and employment.

Through its STEM programmes, Airbus Little Engineer and Discovery Space, thousands of students from 15 countries have participated in hands-on robotics workshops. The Discovery Space digital platform encourages space exploration, to support children's discovery of 3D design software, tutorials and design competitions in collaboration with ESA.

Successfully bringing together employees, products and services from across all divisions, the Foundation remains at the 'heart' of the business, generating pride by employees; achieving long-lasting impact for its partners and beneficiaries; and supporting the wider responsible image of aerospace.

6.2 Other Corporate Activities

Digital transformation at Airbus

Overview

In just over three years, digital transformation at Airbus has moved from peripheral, non-core, exploratory projects, to being at the very heart of the company.

Delivering on its promises, 2019 has been a year where digital transformation has become more concrete: Skywise, the open aerospace data platform, outperformed its 100 airline customer targets in a viral growth, two years after launch, while ramping up to 18,000 users of applications on the platform, bringing value inside Airbus, at customers' and in the supply chain. The Artificial Intelligence team demonstrated an impressive 150 M€ savings by applying AI to Airbus business challenges, in areas as diverse as procurement, flight test or engineering. Internet of Things ("**IoT**") solutions and use cases have been defined and industrialised in the Saint Eloi plant, one of many more in the pipeline. Connectivity is operating a worldwide communication network connecting Airbus' aircraft and is getting closer to 'aircraft as a platform' concept with the launch of AIRSPACE Link. The Airline Science team has delivered, after two years of development, an industrial grade, fine grain, digital twin of an airline, opening the way to aircraft and airlines operations simulation and optimisation. Last but not least, the DDMS plateau has been ramping up to an impressive 3,000 people across the company laying the foundations of native digital continuity solutions for the next aircraft program.

This has been made possible by putting in place strong and modern digital foundations: Information Management ("**IM**"), Security, Data Governance and skills. IM is well on track in 2019 with its five year workforce transformation strategy, having hired more than 250 people and established a captive offshore centre in India, and over 100,000 people are now deployed on G suite as part of the digital workplace initiative. Security has also transformed along the year, transitioning to a modern holistic risk management approach of the cyber security risk across the whole company, ramping up security governance and architecture capabilities. A Data Governance function was created from nil to reach 350 people today across all Airbus functions. Eventually, digital skills increased through recruitment and upskilling with more than 500 Airbus employees graduating from an in-house degree to be data analysts - and the number of digital-related training completions more than tripled in three years.

All of these tangible achievements are the result of the strategy being deployed since 2016, when the Digital Transformation function was created. These achievements are regularly benchmarked with other companies and have attracted marked interest from financial markets, international consulting and industry alike when it comes to digital transformation in the industrial sector.

As digitalisation made its way from the outskirts of the company to its core, the opportunities appeared increasingly huge, and so did the need to change our mind-set: facing and embracing risks instead of fearing new technologies, truly empowering people by democratising access to data through mature platforms, advocating for new relationships and networks based on collaboration across the industry.

Creating digital continuity to become a data driven company

Skywise

Skywise has been the first building block to create digital continuity by making the data locked in our discrete legacy systems, accessible and actionable by those who need it in operations. Quickly adopted by its users internally, it has grown to become an airline favourite and is now the flagship platform of the aerospace industry’s digital transformation, linking OEMs, airline customers and aerospace suppliers alike. In 2019, Airbus’ open aerospace data platform reached critical mass and proved how Airbus’ strategy to place data at the heart of the transformation was a successful bet. With data unlocked across previous siloes, a virtuous circle has been primed, with in-service data flowing back into operations and aircraft design, delivering incremental ameliorations and improvements. Data architecture ensures that data becomes the single source of truth powering Airbus’ operations and products, transforming Airbus to a more fact based, agile, empowered, data driven company. Every airline or supplier reported improvement to their workflows and operations after on boarding on Skywise. Based on airline testimonials we can say that Skywise brought 200 Mio USD savings to the airline industry.

This exponential growth was sustained by the fact that Skywise was designed with the right framework and industrial scalability in mind from the start. This made it possible to start small and scale up. The technology partner’s world-leading capabilities in data integration played a key role in the adoption; yet this exponential growth was driven by the value creation focus and engagement model with the business more than by the technology itself.

DDMS

Going one step further, Digital Design Manufacturing and Services (“**DDMS**”) is taking this transformation to another level by building-in native digital continuity, end-to-end. The expected benefits are immense and require building a new worldwide industrial ecosystem, systems and processes to design, produce and maintain aircraft. DDMS’ ambition is no less than to achieve a native digital continuity for 3D Design, engineering, manufacturing, services, simulation and artificial intelligence activities, with the mandate to be ready for the next aircraft programme.

Major contributions have been made to the current programmes this year:

- Single-Aisle Ramp-up: Customisation: DQN reduction by 50% achieved, increased use of the DMU (cabin design done in 3D context), demonstration via proof of concept of how to minimise variability at product and production level, etc.
- XLR: lead time reduction on safety (Particular Risk) analysis, multi-physics simulations (from part manufacturing via assembly up to structural behaviour) for the RCT
- Nacelle Innovative Solution (NIS): New configuration management principles implemented, Extended Enterprise integrated in the platform
- A350 digital continuity: Proof of concept done, development of the solution achieved

Ensuring state of the art, future-ready foundations

As part of a transformational organisation, IM and Security are finding their balance between flawlessly ensuring standard operations and business continuity while preparing the backbones and roadmaps for the future. Both departments are key enablers to make the most of the opportunities brought about by the current digital revolution, by taking a renewed approach on collaboration, risk assessment, customer and employee experience, and decentralisation of knowledge. Data governance expertise put in place two years ago continues to strengthen and support this.

To continue the transformation of a complex environment of over 6,000 business applications, IM has established 11 digital technology platforms as reusable assets (API, Cloud & DevOps, Big Data, IoT, ITSM, Monitoring, Mixed reality, Big Data, Mobile Apps, UI/UX). These platforms are managed by empowered, agile teams as part of a larger change towards more effective ways of working.

A systematic identification of technology risk is reducing the risks in business continuity for single-aisle ramp-up (100 critical risks mitigated, 50 FTEs recruited, 300+ critical applications monitored). Application teams have decommissioned more than 500 applications to drive simplification.

A major cyber security transformation is underway in Airbus that extends the existing cybersecurity capabilities to:

- accelerate the time to detect cyber incidents and the robustness of the business response;
- prioritise and track cyber security investments by adopting an industry standard risk-based approach;

- transform security operations: e.g. by increasing the number of assets monitored from 5,000 to 130,000 while increasing the make or buy ratio from 5% to 40%;
- protect critical Airbus information assets (e.g. through the rollout of data loss protection to 68k Airbus employees);
- deploy "Multi Factor Authentication" to 42,000 supplier employees;
- re-insource key roles and skills from 29 to 81 FTE in 2019.

Continued exploration to be ready for future step change technologies

Exploration continues and accelerates on other fronts too with the Digital office. Major progress has been made in understanding how artificial intelligence, IoT and connectivity will truly benefit our industry. For the latter, we are getting closer to achieving the same level of connectivity in the air as we do in a hotel room.

Wrap-up and 2020 challenges

In 2019, we reached a pinnacle point in terms of co-existence of the old and the new. The big challenge of 2020 will be to even this out: taking a bold look at what needs to be decommissioned and completing organisational transition in order to fully reap the financial benefits of optimisation.

As we tackle this new challenge, the efforts and energy put into having a digital ready workforce will pay off. The digital expertise is disseminating through the organisation via value adding projects and "franchises" spread and embedded within business functions (as opposed to being only centrally held as at the very beginning of this journey). The Digital Academy will further support employees in their digital savviness, with both basic and in-depth digital knowledge and upskilling.

2020 will be a year of strong execution and further acceleration for digital transformation. Speed, agility and change management, more than ever, will be key. For the DDMS programme, it will be a year of stabilisation. IM will have another challenging year in attracting and retaining talents while completing its transformation. Security will further test its ability to treat future threats, by putting in place a cutting edge organisation, resources, and sustain efforts on measures to prevent incidents, group wide. We will also see continued efforts to upskill all employees and managers across the company to embed digital transformation in everyday ways of working.

The potential of digital still hasn't been fully reaped. We progressed a lot in leveraging the cloud and in better understanding how our already efficient industry can be improved even further, by taking an even closer, more granular and holistic view at the entire ecosystem for a global optimal. There are more margins to be tackled (in particular in terms of aircraft operations and ATC), and digital has a major role to play in there. In 2020 more than ever, Digital transformation will be about taking the 'margins' out of operations.

These initiatives will continue to succeed if they are addressed in a transverse, open and bold way. All building blocks are in place - what will make the difference is our readiness to take a pragmatic look at them and take strong decisions to deploy transverse backbones.

Research and Technology

The Airbus Technology Department, led by the Chief Technology Officer, is responsible for defining, delivering and protecting all Airbus Research and Technology ("**R&T**"), enabling technology synergies across the group, federating innovation activities of the Company and ensuring expertise in breakthrough technologies. The Department applies a lean project-based approach, tracked and managed using earned value management processes. Technological collaboration with external research communities and partners is encouraged and coordinated through the department with technical and scientific experts. These duties are delivered through the following capabilities.

The Company-wide integration of R&T technology is achieved through cross-portfolio Technology Planning and Roadmapping giving an exhaustive view of technology targets and investments across the Company. In addition, companywide engagement with institutional and commercial partners and public agencies is achieved through common R&T Co-operations.

Central R&T ("**CRT**") is the cross-divisional R&T organisation aimed at preparing the Airbus' long-term technological capabilities. CRT leads specific investigations in emerging areas of research and conducts ambitious research projects while leveraging leading academic, scientific and research institutions to best utilise their expertise for achieving the company's ambitions.

Development of selected breakthrough technologies are accelerated through Airbus Demonstrators by employing rapid maturation methods. This function delivers flight demonstrator projects that drive collaborative new ways of working, provide the highest level of transparency and challenge the status quo by embedding Airbus Technology DNA in a live environment.

Each Airbus Division has its own R&T function defining and delivering the divisional projects. The Divisional R&T functions are primarily planning, decision making and arbitration teams accountable within their perimeters to both Technology, Divisional Engineering and Product Strategy. Their responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business. Within Airbus commercial specific priority is placed on next generation aircraft, single-aisle replacement, small green aircraft and bringing together product, production system and services.

In order to maximize the Company's R&T activities, the Divisions leverage the external ecosystem utilizing the portfolio of projects for funding opportunities and engagement with global partnerships, research institutes and universities. This ensures efficient R&T portfolio execution and benefits from new ways of working including agile way, minimum viable product demonstration strategy and skunk works. Responsibilities include securing continuous improvement in Divisional competitiveness and ability to develop business by establishing and chairing the Airbus R&T governance.

Fast Track roadmap owners serve as principal advisors to the CTO on technical vision and roadmaps for associated Technology areas. Fast Tracks ensure coherency in the portfolio of activities and to rapidly advance strategic priorities. Today the Fast Tracks cover:

- Electrification,
- Industrial Systems and Manufacturing,
- Connectivity,
- Autonomy,
- Materials,
- Artificial Intelligence.

Airbus' intellectual property is protected, secured and defended through a central IP function responsible for patent applications, portfolio investigations and portfolio defence.

Technological innovation and outreach to expertise in specific regions is delivered through three units, Acubed in Silicon Valley, Airbus Innovation Centre in China and start-up engagement and development through BizLab.

Key progress in 2019

Airbus Demonstrators

Airbus Demonstrators use flying demonstrators to evaluate, mature and validate new technological breakthroughs for the R&T portfolio. They invent and accelerate aerospace research and prototype developments to achieve proof of concepts at scale and speed.

The **E-Fan family** of technology demonstrators aims to demonstrate all-electric and hybrid-electric flight. In 2019 E-FAN X marked the stabilisation of the design baseline and the start of the identification of the unmodified aircraft in flight.

The **Autonomous Taxi, Take-off and Landing** ("**ATTOL**") demonstrator works to leverage computer vision technologies and techniques to enable commercial aircraft to navigate and detect obstacles during taxi, take off, approach and landing.

In 2019, the first automated take-off on Airbus products was performed on an A350, first ILS/GLS[5] based then vision based. The first Auto Taxi based on GPS positioning was achieved.

The **Fello'Fly** demonstrator aims to prove the technical, operational and economic viability of wake-energy retrieval for commercial aircraft. In 2019, the first automated control laws and test means were developed. Two airlines and numerous Air Navigation Service Providers ("**ANSPs**") were on-boarded for demonstration. An ICAO working group was established for operations and standards.

The **TELEO** demonstrator aims at providing seamless smart routing in satellite constellations (LEO and GEO). In 2019 the test bed was secured and the design of the end-to-end communication chain for the optical link was confirmed.

A3

A3 (Acubed), is Airbus' innovation center in the Silicon Valley with the mission to provide a lens into the future for the industry, transforming risk into opportunity to build the future of flight now:

- Airbus UTM (previously Altiscope) helps integrating Unmanned Aircraft Systems ("UAS") into the airspace with the aim to service all forms of airborne traffic.
- Vahana is an electric urban air mobility vehicle designed to carry a single passenger or cargo. The objective is to fly at full scale an all-electric, self-piloted VTOL aircraft and discover the core set of requirements and technologies to enable self-piloted operations. The Vahana full-size prototype successfully completed over 13 flight hours in 2018 and 2019 and a 20 minutes, 50 km final flight in November 2019. The technology bricks and lessons learned will be included into Airbus portfolio.

The Advanced Digital Design and Manufacturing Adam ("**ADAM**") aims to develop methods and tools to drastically reduce development lead-time and production cost by leveraging emerging digital technologies. In 2019, ADAM successfully demonstrated its added-value through several use cases, working collaboratively with Airbus Americas Engineering, SATAIR and Airbus in Europe and China. Use cases include project EVE to dramatically reduce the time needed for wing rib stressing on the A321ULR, and a project with SATAIR to use AI to better predict the optimum deployment of spares inventories worldwide based on advanced data analytics.

Wayfinder develops a scalable and certifiable platform for Autonomy and Machine Learning to enable future autonomous flight projects. In 2019, Wayfinder successfully delivered algorithms for detection of runway features to the ATTOL demonstrator, started Drone Collision Warning system sub-project, delivered Verify Landing Clear system to UAM.

Monark was officially launched in April 2019. Monark is working to scale up weather-related measurements using commercial aircraft, weather balloons, and autonomous flying platforms for weather forecasting and commercial aviation. Monark has successfully developed weather tools for improved forecasts and deployed within several groups across Airbus (including the Zephyr and icing teams) gaining internal customers and demonstrating the project's added-value.

Airbus China Innovation Center (ACIC)

ACIC, based in Shenzhen, is the first Innovation Centre set up by Airbus in Asia. The main pillars for the ACIC activities are:

- **Hardware Lab**
  - In 2019 ACIC entered into discussion with Airbus Defence and Space to develop a 2nd source of battery. The first non-functional prototype for ultra-thin antennas for satellite constellations was made available. ACIC launched the project AIRBRIGHT, to project airline logo onto "VTP" with a first demonstrator planned in mid-

5 ILS is an Instrument Landing System for landing approach allowing an aircraft to land aircraft under low visibility conditions. It is based on a VHF/UHF radio-electric signal emitted by two ground stations installed on the runway. GLS is GBAS Landing System, a system based on GPS augmented by a ground station located at the airport, using GPS differential techniques, which improves the performance of GPS (improving accuracy and integrity). It is providing a new type of precision approach that is similar to ILS.

2020.

- **Manufacturing Innovation**
  - In 2019, the first intelligent cabinet order was placed by FAL-Asia (15 ship-sets). This was the first local-to-global deliveries to Hamburg and Toulouse.
- **Cabin Experience**
  - The Flexible Displays flammability and toxicity tests were passed successfully in 2019. A control panel for digital galley was installed on A350 MSN early December 2019. The cabin Wi-Fi APP integration lab went live in the Airbus China Innovation Centre.
- **Connectivity**
  - In December 2019, ACIC concluded an agreement with Upgrades Services on the development of a 5G Air-To-Ground ("**ATG**") prototype with a target to fly in the second half of 2020.
- **Artificial Intelligence**
  - ACIC is developing a shop floor video analysis system to help improve management efficiency in factories. For this project, ACIC will develop a set of software including algorithms. The software will be able to automatically anonymise individuals to protect privacy. Airbus will smoothly expand the applications for other scenarios.

BizLab

Airbus BizLab is the aerospace accelerator where start-ups and the Company's intrapreneurs speed up the transformation of innovative ideas into valuable businesses. The "cohort" of start-ups and intrapreneurs must quickly identify an internal Airbus customer, develop the terms for a proof of concept and deliver all within a six-month period. Start-ups and internal projects benefit from access to the Company's coaches and experts in various domains, and participate in events such as a "demo-day" with the Company's decision makers, customers and partners.

In 2019, Airbus BizLab has signed a contract with the Indian start-up "Traxof Technologies" to automate the talent acquisition process for Airbus' Information Management organisations in India and Europe and the VR-Pilot Flight Training Solution ("**VRnam**") was acquired by Airbus. The solution allows pilot trainees to learn and practice flows and procedures in an immersive 3D cockpit. Complemented by Airbus simulation competencies it replaces cockpit simulator time and offers remote training based on an hourly-rate business model.

The internal project "Geotrend" was spun out is now a start-up with more than 25% of CAC 40 companies are customers of the service. Geotrend is a market and competitive intelligence solution based on AI that originated within Airbus Defence and Space.

Internal project in 2019 included "F!t", a software solution that provides insight on the future of air traffic using big data, AI and scenario based models. The platform was launched with the Strategy department as product owner. Crowdcraft project implemented by the Airbus General Procurement department is a crowdsourcing & crowd staffing platform that rapidly finds solutions to technical challenges leveraging worldwide talent. The solutions reduced cost and work time through more efficient and compliant means for procurement buyers to access goods and services. The "Flight Operations Data 2.0" project has been transferred to "NavBlue" for commercialisation of the end-to-end solution for flight operation data.

Airbus Helicopters

Safety remained the 2019 priority. Throughout 2019 significant progress was made on components architecture and development of advanced usage and health systems. Three tests performed to allow the certification of defects diagnostic system based on accelerometers with satisfactory results. The 4th test planned in Q1 of 2020 will allow to fully validate the advanced algorithms to provide specific, early and reliable damaging diagnostic on crack initiation to provide H225 customers with maintenance credit. The detection is aimed to come 10 hours before full defect propagation.

"City Airbus", a three-to-four passenger autonomously piloted electric vehicle demonstrator for unmanned air mobility, was a top priority of 2019 to gain experience and expertise on urban air mobility and vehicle requirements. It has successfully entered the flight campaign phase in early 2019 and performed it first flights from May to December 2019.

Autonomous landing on H225 flying test bed was successfully performed using on-board image processing system coupled with automatic flight control system in the frame of the Eye for Autonomous Guidance and Landing Extension project ("**EAGLE**"). This technology opens the door for autonomy for helicopters and UAM.

The urban last mile delivery solution, Skyways, was fully transitioned to UTM team in 2019 and carried out flight tests for UTM (feasibility of UTM concepts in urban area, test of comms systems, real-life demonstration of UTM services).

Airbus Defence and Space

In 2019 sustained focus remained on enhancement and acceleration of digitalisation and automation of products and processes for production and assembly in aircraft and satellite development. Related product developments deploy artificial vision, augmented reality and enhanced use of robots in collaborative ways in specific production processes as well as test facilities.

Significant effort has also been put in delivering technologies related to automatic image processing and enhanced high-resolution satellite image processing and data analytics, which are key techno-bricks for "One Atlas Service" and Pleiades Neo. Also have Telecom-Satellite related Technologies on Secure Modem Developments now allowed further functional development of SkyNet6 / 6A enhancements.

Key technologies for demonstration aiming at new combat systems in the future military operational environment around FCAS have been and are still being prepared. The most relevant example in 2019 was the cloud-based networking operation simulation across our Airbus Def & Space products (Ground / Sea, Air, Space) successfully demonstrated at System-of-System-Level in a maritime functional demonstrator (MASADA).

The accelerated introduction and delivery of further 3-D manufactured parts into flyable products (aircraft and satellites) remains a continuous element of this Technology Acceleration Roadmap.

Central Research and Technology ("CRT")

The CRT operates in concert with technology fast tracks and roadmaps to meet strategic objectives and with divisional R&T to ensure the continuation of CRT activities. CRT has 55 concurrently running projects across its 6 domains. Highlights from these activities include:

- **Blue Sky**: in tandem with Airbus Engineering, Blue Sky (on behalf of the CTO) sponsored the Airbus Quantum Computing Challenge launched in January 2019. The worldwide competition was the first of its kind led by a large end-user. It made news around the globe and led to 1000+ people from across 70+ countries registered for details about the challenge. Over 36 proposals were received by the deadline. Winners will be announced in 2020.
- **Communications**: successful in-flight demonstrations pioneering new communication technologies for future Airbus products including UAM, UAVs and HAPS, including an optical Quantum Key Distribution (QKD) link between a UAV and ground during daylight; as well as a live 5G Air-to-Ground link demo for the German Minister of Transport and Digital Infrastructure.
- **Materials**: 3D-Surfin, an electro-chemical grading technique for surface topology optimisation of powder bed additive manufacturing parts, a technology invented and developed at CRT, won the German Aerospace Industry's Innovation Award in 2019. A heat exchanger prototype made of multi-material printed ceramic "SiC" (Silicium

Carbide) was developed for very high temperature parts (~1400°C) as needed for aircraft electrification. A fully naturally sourced sandwich composite has been demonstrated within a European-Chinese Research Programme “ECOCompass”. The first artificial intelligence use in materials analytics has been successfully demonstrated.

- **Electrics**: successful demonstration of a high-voltage cable prototype capable of sustaining the required performances in voltage (3 kV), weight and flexibility for installation. The E-FAN-X demonstrator made use of the expertise gained.
- **Virtual Product Engineering**: out of cycle Model Based System Engineering (“MBSE”) proof of concept demonstrated to DDMS for preliminary modelling of product (Cabin & Cargo of Future) and Industrial system (A350 wing assembly). The out of cycle MBSE methodology is a key technology block for reduction of product development lead time and co-design of product and industrial system.
- **Data Science**: in tandem with DTO Analytics Accelerator, the domain organised the first Airbus "Data Days" event, gathering more than 300 AI scientists from the company. In addition, the “ADVISED” project has brought together an Company-wide community interested in the treatment of historical data and delivered "advisedlib", a common time-series-analysis tool created for all divisions (in particular anomaly detection). The tool was transferred to DTO Analytics Accelerator for deployment.

7. Airbus Strategy

7.1 Commercial leadership, value creation and profitability

2019 brought Airbus the foreseen changes at top management level, as well as throughout the organisation. The group started to lay the foundations of its next chapter to shape the future: A stronger, more competitive company that meets customer commitments and delivers value to its many different stakeholders. Airbus is committed to the sustainability of its business, its products, and the role it wants to play in society.

Airbus Strategy is structured around the following three axes:

1. Grow Airbus as an Aerospace leader, leveraging its European roots while pursuing a global vision through local actions

The commercial aircraft business continued its focus upon on-time, on-cost and on-quality deliveries and reached in 2019 a new delivery record with 863 aircraft. The entry into service of the A321LR and the launch of the A321XLR will further strengthen the market position of Airbus.

Airbus Defence and Space maintained its leadership position, and demonstrated, through milestones reached in the Future Combat Air System and Eurodrone, that it could shape and deliver European power ambitions by providing military platforms, space assets, associated services, as well as missiles and launchers through its participations (JVs).

For example, Airbus Defence & Space plays a key role in the FCAS, which successfully obtained Framework Arrangement signature from Germany, France, and Spain during the Paris Air Show (17 June 2019). FCAS will include technology developments for a New Generation Fighter (NGF), Remote Carriers (RC) and an Air Combat Cloud (ACC). The first flight of the NGF demonstrator is targeted for 2026, and the Company will co-prime the first Demonstrator Phase of the programme between 2019 and mid-2021.

Airbus Helicopters retained its leadership in civil and parapublic segment, managed to keep its market share in the military segment stable, in a challenging market environment, and tested new VTOL solutions.

The target of Airbus Helicopters is to secure a leadership position in vertical lift solutions and services by capturing long-term growth in the conventional helicopter market, by building end-to-end solutions, and addressing the new VTOL businesses, while being financially sound.

2. Increase Airbus capacity to invest for the future and in a highly uncertain, regulated and competitive environment through the right combination of growth, profitability and resilience

Airbus operates in a fast changing environment which is shaped by economic, environmental, industrial, political and societal events. Airbus' financial strength is key to ensure an adequate latitude to invest in its future and to meet its challenging environment, while remaining attractive for investors.

Thus, Airbus needs to continue its growth, improve its profitability and strengthen its capacity to withstand external and internal events.

Boosting leadership in all aerospace and defence domains through the continued ramp-up of production, the development of new commercial and governmental products and systems, as well as services will secure the Company's organic growth. In addition, opportunities for mergers and acquisitions are considered in selected value chain areas to strengthen the market position and secure competitive advantages.

Airbus focuses on the continuous improvement of margins of aircraft programmes, product competitiveness, and is stengthening its Services and Digital businesses to increase its profitability.

Finally, Airbus becomes more resilient to the ever faster changing world by deliberately balancing its growth across the aerospace and defence business portfolio, between products and services and throughout regions world-wide. Keeping the strong attention to product (and services) quality and safety, in combination with its well-established risk management, allows Airbus to anticipate and adapt as and if required.

Airbus Helicopters is a typical example of a well-balanced business mix between platform manufacturing and services, civil and military markets.

3 Lead the transformation of the Aerospace & Defence industry to meet the emerging Environmental, Social and Governance standards

The world is currently facing tremendous global challenges: climate change, severe weather patterns, deforestation, political instability, increasing population to name a few. Environmental, social and governance standards are high on the Company agenda in response to these challenges. ESG is now considered critical by investors, shareholders, customers and employees.

Airbus is convinced it has a leading role to play in shaping a necessary industry transformation. Airbus supports the global UN Sustainable Development Goals and aims at setting ambitious standards for a better and more connected world.

Fulfilling societal expectations is a top priority for Airbus, and it will be the prerequisite to future success: consequently Airbus has launched in 2019, as an integral part of Airbus Next Chapter, a project with the goal to reinforce and embed into its culture, responsible and sustainable behaviours and actions.

Key Enablers

The three strategic axes of Airbus are supported by the following ten Enablers:

1. Europe

Airbus is THE European company: The European leader in Aerospace and Defence, with around 150,000 employees and a strong industrial footprint in France, Germany, Spain and the UK. At the same time, Airbus is a key enabler to European sovereignty through its defence and space solutions.

To successfully address the future challenges of the global Aerospace and Defence industry, Airbus needs to retain and boost its role as trusted supplier and partner to its European Home Nations France, Germany, Spain and the UK. Despite Brexit, the UK is key to Airbus' industrial footprint.

Airbus supports the launch and development of European Air and Space programmes, such as FCAS or Eurodrone, the cooperation with industrial partners and competitors on those programmes and facilitates potential further industry specialisation and consolidation.

2. Globalisation

Airbus connects people with its aircraft and digital communication solutions around the world. It is a globally-operating company with more than 23,000 employees outside its Home Nations.

In 2019, Airbus has further strengthened its world-wide industrial presence. In the US and Canada, the Single Aisle production ramp-up continued, while the A220 FAL in Mobile (US) was set-up and aircraft assembly commenced. The signature of a Memorandum of Understanding with the Chinese government on Single Aisle and A350 will further develop the industrial cooperation with China.

Airbus pursues an international development to get closer to its customers and markets, and to leverage best resources world-wide by:

- focusing on dedicated countries, depending on the target and asset for the country: market size, local industrial capabilities or innovation resources;
- re-assessing and re-designing the activities, globally and locally in each function, including industrial footprint for more coherence;
- diversifying Airbus staff and skills, develop talents and promote mobility.

3. Environment

While air travel currently contributes to global CO_2 emissions, air quality and noise pollution, Airbus believes a future sustainable aviation model is achievable. Airbus intends to take a leadership position on answering environmental challenges to ensure future generations will fly without a detrimental impact to the environment.

- Airbus has developed a clear overall strategy on environment and continued its execution in 2019:
- The first priority of Airbus is to progressively decarbonize the fleet and reduce other nuisances (noise, NOx, particulates, etc.). Airbus has committed to the Air Transportation Action Group (ATAG) industry goals of halving CO2 emissions by 2050, in line with the 2°C Paris objective. This will be achieved by: developing more efficient technologies (in 2019, the A321XLR was launched, bringing 30% lower fuel burn per seat than previous-generation aircraft), supporting the deployment of Sustainable Aviation Fuels (SAF), optimizing the operations and infrastructures, as well as supporting market-based measures. In 2019, the Chief Technology Officers from seven major aerospace manufacturers, including Airbus, committed to cooperate to drive the sustainability of aviation.
- In other product areas, Airbus is actively contributing to enable actions against climate change. The development of detailed earth observation satellites and geospatial solutions provides highly sophisticated monitoring capabilities for climate change, agriculture, deforestation or natural disasters.
- Airbus is working on minimizing the impact its sites and supply chain have on energy, CO2, waste, air and water. Airbus launched “High5+” in 2019, a cross-divisional plan to reach the ambitious objectives of its 2030 Vision and prepare the goals for 2050. In 2019, Airbus Commercial sites emitted approximately 4.3% less CO_2 than in 2018.

4. Ethics, compliance and reputation

The ambition of Airbus is to be known as a company with ‘integrity inside’: integrity in its people, partners and suppliers. This means that Airbus does business in the right way to ensure its stakeholders have confidence in its activities and to protect the company’s reputation. Consequently, ethics and compliance are at the heart of what Airbus does across all operations, businesses and continents. This means that the company constantly improves its Ethics and Compliance Programme to ensure effective processes and procedures are in place to manage business ethics / anti-corruption compliance, export control compliance and data protection. Airbus is also strengthening the related culture throughout the Company in line with its values.

Against the backdrop of today's challenging geopolitical environment, throughout 2019 Airbus has in particular focused on enhancing its internal processes and processes to ensure that its business activities comply with the ever changing sanctions and embargo legislation.

More generally, in 2019 Airbus launched its new Code of Conduct across the company which is designed to be one single reference document embedding the Airbus Values and reaffirming its responsibility to doing business with integrity.

5. Safety and security

The number one priority at Airbus is product (& services) safety to ensure the continued safe transport of everyone, and everything, that flies aboard an Airbus product. This is supported by the Airbus Product Safety Vision: "In order to achieve the company’s permanent duty of prevention, Airbus constantly champion safety improvements internally, and beyond with its customers and the industry as a whole; thus Airbus will be recognised as a reference in safety at the air transport system level".

The Company’s policy identifies axes of permanent safety enhancement activities: 1/ Continuously enhance product intrinsic safety, 2/ Continuously do the utmost to improve proactively the safety of operations of Airbus products, 3/ Enhance safety culture within Airbus, 4/ Take a leading position in air transport system wide initiatives, and 5/ Be forward thinking for safety.

In 2019, Airbus has continued reinforcing the resilience capability of its products against abnormal conditions taking into account industry lessons learnt; as well as launching dedicated initiatives to continue its journey of permanently enhancing its internal safety culture. Beyond Airbus' strict perimeter, the deployment of Airbus safety principles towards suppliers has been accelerated.

6. Our people

Competences and engagement are the cornerstone of Airbus' success and competitiveness. The Group is committed to attracting and retaining engaged people, with the right skills, mind-set and behaviours.

The following priorities are set:

- provide a safe and inclusive working environment, living strong values, improving employee experience;
- anticipate, secure and develop competences through systematic knowledge management and access to life-long learning for all;
- develop a culture that sets its foundations in integrity and compliance and fosters collaboration, empowerment and accountability;
- reinforce diversity, mobility, multicultural teams and integration of Airbus global workforce to support their industrial cooperation and anticipate and respond to geopolitical changes;
- prepare Airbus leaders for what's next, boosting their resilience.

Highlights of key programmes and achievements in 2019 include the following topics:

- the "PeopleSafety@Work" initiative, as well as a comprehensive action plan on Ethics and Compliance have put Safety, Integrity and Compliance at the centre of discussions for all Airbus employees;
- over 86,000 employees joined in the worldwide survey on working environment while hundreds of teams chose to boost their engagement levels by taking action on themes most relevant to them;
- the 2019-2029 edition of the Airbus Global Workforce Forecast was released on the dedicated app, giving unique transparency on the way Airbus is handling challenges related to megatrends, demographic changes through its competence strategy;
- the "myPULSE" solution was implemented and is the globally deployed solution all across Airbus, covering since September 2019 more than 127,000 employees and more than 119 subsidiaries in 41 different countries in all divisions, being the main and central source of information for HR core data.

7. Exploit digitalisation to enhance our current business as well as pursue disruptive business models

Digitalisation will support Airbus' transformation by focusing on five main axes: (i) enabling high employee engagement, (ii) digital operational excellence, (iii) mastering its product data value chain and turning product data into insight, (iv) capturing the end-user experience and (v) driving its business agility.

Airbus launched Skywise, a data platform in collaboration with pioneers in data integration and advanced analytics. Skywise has established an early lead in the race to connect the aviation industry since its launch in 2017 at the Paris Air Show. Skywise aims to become the single platform of reference used by all major aviation players to improve their operational performance and business results and to support their own digital transformation.

In 2018, Airbus Defence and Space together with Airbus Helicopters launched the SmartForce suite of services to enable military operators to exploit the data gathered by their aircraft to enhance operational safety, boost mission availability and reduce maintenance support costs.

8. Competitiveness

The design, development, manufacturing, marketing and servicing of large-scale aeronautics / space platforms and integrated systems is at the core of the competences of Airbus.

Airbus performs a strong role as prime integrator managing the supplier base to ensure the on-time and on-quality delivery of a product to the final customer. To provide best value to its customers and face strong competition, Airbus is permanently boosting its competitiveness by:

- sustainably improving current programme margins;
- further preparing its short-, mid- and long-term industrial transformation through in particular the implementation of Digital Design Manufacturing and Services (DDMS);
- strengthening and optimizing selected strategic value chain areas and reviewing sourcing strategy;
- leveraging the military portfolio, services, digital, innovation.

9. Technology and innovation

Airbus innovates every day to ensure that its products are at the forefront of aerospace technology.

After many new product developments in recent years (A320NEO, A321LR, A321XLR, A350), the majority of the company's revenues are generated today in segments where Airbus has competitive, mature products that are far from the end of their lifecycle.

Airbus prepares for the future by creating more sustainable and environmentally sound products that will use modern Unmanned Traffic Management / Air Traffic Management (ATM) systems and respond to new challenges, such as for example a potential pilot shortage. Innovation has as an underlying target to respond to the Flight Path 2050 targets cutting CO_2 emissions by 75%, NO_x emissions by 90% and noise emissions by 65% compared to levels from the year 2000. Airbus is committed to these targets and will contribute to transforming the aerospace industry, its business conduct and pursue its ambition to build the future of flight.

Airbus is excelling in innovation and exploring cutting-edge technologies enabling to create platforms that are easy to manufacture, more automated and more connected:

- Easy to manufacture: Define new ways of working, switching from product performance to industrial performance.
- More automated, with state of the art computer vision techniques for taxi, take-off and landing.
- More connected: anywhere, anytime, at the gate and in the air, and over oceans, via satellite and direct air-to-ground link, enabling enhanced passenger experience and more efficient operations and maintenance.

2019 set the technical foundations for neutral / zero emission commercial aviation led by the inauguration of the E-Aircraft System facility and working with European industry on shaping the next EU Aviation research programme. 1/

Urban Air Mobility: Vahana has flown over 80 full-scale test flights. CityAirbus full-scale demonstrator conducted its first take-off in May 2019. 2/ Inauguration of the Airbus China Innovation Center in Shenzhen. 3/ In-flight trials of connected cabin technologies and in-flight demonstration of autonomous take-off. 4/ Launch of "fello'fly" flight demonstrator project inspired by nature to flying in "V" shape to save energy and benefit from the "air up wash" of the leader to reduce fuel consumption and CO_2 emissions.

10. Customer centricity

Airbus platforms, product solutions and services are designed with the customers in mind, helping them operate their products more efficiently and serve new markets, providing the best experience for their end users.

Throughout the Company, Airbus continuously focuses on enhancing customer trust and loyalty, concentrating on both performance and behaviours leading to:

- improving customer satisfaction before, at, and after delivery;
- putting customer intimacy (understanding) at the centre of Airbus strategy and actions;
- delivering increased support and service offering.

In 2019, Airbus' transformation initiative Next Chapter helped to sharpen the Company's focus on end-to-end delivery and value creation, including customer value.

Taking advantage of digital technologies, Airbus streamlined its ways of working, thus improving transparency to the customers during the delivery process and In Service operations.

Airbus' exchange programme with customers ensured that the products and services address needs of customers and generate value for the business.

The focus was on sharing (promoting) the voice of the customer inside Airbus, giving its employees a better understanding of customer operations and needs.

7.2 Top Company Objectives 2020

Customer

- Strengthen customer trust.

Sustainability

- Continue progress on environmental roadmap and Sustainable Development Goals.

Industrial Performance

- Improve operational efficiency and performance.

Financial Performance

- Deliver financial KPIs, support competitiveness and profitability initiatives and improve linearisation.

People

- Provide a safe and inclusive working environment.

Growth & Innovation

- Further refine industrial and technology strategy and prepare future generation products in line with markets of tomorrow.

The information contained in this Board Report will enable you to form an opinion on the situation of the Company and the operations, which are submitted to you for approval.

For further information and detail regarding the Company's activities, finances, corporate governance and in particular risk factors, the reader should refer to the Company's website www.airbus.com.

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

- the financial statements for the year ended 31 December 2019 give a true and fair view of the assets, liabilities, financial position and profits or losses of the Company and undertakings included in the consolidation taken as a whole; and
- this Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2019 financial year of the Company and undertakings included in the consolidation taken as a whole, and the principal risks facing the Company have been described herein.

8. Financial targets for 2020

As the basis for its 2020 guidance, the Company assumes:

- the world economy and air traffic to grow in line with prevailing independent forecasts, which assume no major disruptions, including from the coronavirus;
- the current tariff regime to remain unchanged.

Airbus' 2020 earnings and Free Cash Flow guidance is before M&A.

Airbus targets around 880 commercial aircraft deliveries in 2020. On that basis:

- Airbus expects to deliver an EBIT Adjusted of approximately € 7.5 billion; and
- Free Cash Flow before M&A and Customer Financing of approximately € 4 billion before:
  - € -3.6 billion for the penalty payments; and
  - a negative mid-to-high triple digit million Euro amount for the consumption of compliance-related provisions for tax and legal disputes.

The Board of Directors

Denis Ranque, Chairman

Guillaume Faury, Chief Executive Officer

Victor Chu, Director

Jean-Pierre Clamadieu, Director

Ralph Dozier Crosby, Jr., Director

Lord Drayson (Paul), Director

Catherine Guillouard, Director

Hermann-Josef Lamberti, Director

Amparo Moraleda, Director

Claudia Nemat, Director

René Obermann, Director

Carlos Tavares, Director

Leiden, 12 February 2020