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Airbus SE – IFRS Consolidated Income Statements for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Revenues	10	**66,767**	**66,581**
Cost of sales		**(59,160)**	(61,317)
Gross margin	10	**7,607**	**5,264**
Selling expenses		**(872)**	(997)
Administrative expenses		**(1,567)**	(1,726)
Research and development expenses	11	**(2,807)**	(2,970)
Other income	13	**981**	2,689
Other expenses	13	**(336)**	(254)
Share of profit from investments accounted for under the equity method	12	**333**	231
Other income from investments	12	**82**	21
Profit before finance costs and income taxes		**3,421**	**2,258**
Interest income		**189**	247
Interest expense		**(517)**	(522)
Other financial result		**1,477**	(692)
Total finance costs	14	**1,149**	(967)
Income taxes	15	**(1,693)**	(291)
Profit for the period		**2,877**	**1,000**
Attributable to:			
Equity owners of the parent (Net income)		**2,873**	995
Non-controlling interests		**4**	5

Earnings per share		**€**	**€**
Basic	16	**3.71**	1.29
Diluted	16	**3.70**	1.29

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

Airbus SE – IFRS Consolidated Statements of Comprehensive Income for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Profit for the period		**2,877**	**1,000**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit pension plans		**116**	(1,649)
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method		**61**	(102)
Income tax relating to items that will not be reclassified	15	**(26)**	365
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(526)**	(174)
Change in fair value of cash flow hedges	35	**10,636**	(247)
Change in fair value of available-for-sale financial assets		**396**	(53)
Share of changes in other comprehensive income from investments accounted for under the equity method		**(3)**	(35)
Income tax relating to items that may be reclassified	15	**(2,881)**	(7)
Other comprehensive income, net of tax		**7,773**	**(1,902)**
Total comprehensive income of the period		**10,650**	**(902)**
Attributable to:			
Equity owners of the parent		**10,611**	(917)
Non-controlling interests		**39**	15

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

Airbus SE – IFRS Consolidated Statements of Financial Position at 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Assets			
Non-current assets			
Intangible assets	17	**11,629**	12,068
Property, plant and equipment	18	**16,610**	16,913
Investment property		**3**	5
Investments accounted for under the equity method	7	**1,678**	1,608
Other investments and other long-term financial assets	19	**4,204**	3,655
Non-current other financial assets	23	**2,980**	976
Non-current other assets	24	**2,295**	2,358
Deferred tax assets	15	**3,598**	7,557
Non-current securities	34	**10,944**	9,897
		53,941	**55,037**
Current assets			
Inventories	20	**31,464**	29,688
Trade receivables	21	**8,358**	8,101
Current portion of other long-term financial assets	19	**529**	522
Current other financial assets	23	**1,979**	1,257
Current other assets	24	**2,907**	2,576
Current tax assets		**914**	1,110
Current securities	34	**1,627**	1,551
Cash and cash equivalents	34	**12,016**	10,143
		59,794	**54,948**
Assets and disposal group of assets classified as held for sale	6	**202**	1,148
Total assets		**113,937**	**111,133**

(In € million)	Note	**2017**	2016
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		**775**	773
Share premium		**2,826**	2,745
Retained earnings		**7,007**	4,987
Accumulated other comprehensive income		**2,742**	(4,845)
Treasury shares		**(2)**	(3)
		13,348	**3,657**
Non-controlling interests		**3**	(5)
Total equity [(1)]	32	**13,351**	**3,652**
Liabilities			
Non-current liabilities			
Non-current provisions	22	**10,153**	10,826
Long-term financing liabilities	34	**8,984**	8,791
Non-current other financial liabilities	23	**6,948**	13,313
Non-current other liabilities	24	**17,190**	16,279
Deferred tax liabilities	15	**981**	1,292
Non-current deferred income		**199**	288
		44,455	**50,789**
Current liabilities			
Current provisions	22	**6,575**	6,143
Short-term financing liabilities	34	**2,212**	1,687
Trade liabilities	21	**13,444**	12,532
Current other financial liabilities	23	**2,185**	5,761
Current other liabilities	24	**29,193**	27,535
Current tax liabilities		**1,481**	1,126
Current deferred income		**935**	917
		56,025	**55,701**
Disposal group of liabilities classified as held for sale	6	**106**	991
Total liabilities		**100,586**	**107,481**
Total equity and liabilities		**113,937**	**111,133**

(1) As of 31 December 2017, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to € 65 million.

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

Airbus SE – IFRS Consolidated Statements of Cash Flows for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income)		**2,873**	995
Profit for the period attributable to non-controlling interests		**4**	5
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		**(189)**	(247)
Interest expense		**517**	522
Interest received		**149**	139
Interest paid		**(501)**	(378)
Income tax expense		**1,693**	291
Income tax paid		**(152)**	(559)
Depreciation and amortization		**2,298**	2,294
Valuation adjustments		**(1,755)**	1,132
Results on disposals of non-current assets		**(773)**	(1,870)
Results of investments accounted for under the equity method		**(333)**	(231)
Change in current and non-current provisions		**805**	1,321
Contribution to plan assets		**(458)**	(290)
Change in other operating assets and liabilities: [(1)]		**266**	**1,245**
-Inventories		**(2,572)**	(3,477)
-Trade receivables		**621**	(1,215)
-Trade liabilities		**1,419**	2,398
-Advance payments received		**1,268**	4,628
-Other assets and liabilities and others		**(470)**	(1,089)
Cash provided by operating activities [(1) (2)]		**4,444**	**4,369**
Investing activities:			
-Purchases of intangible assets, property, plant and equipment, investment property		**(2,558)**	(3,060)
-Proceeds from disposals of intangible assets, property, plant and equipment, investment property		**177**	72
-Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	**(23)**	(120)
-Proceeds from disposals of subsidiaries (net of cash)	6	**377**	731
-Payments for investments accounted for under the equity method, other investments and other long-term financial assets		**(913)**	(691)
-Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		**532**	182
-Dividends paid by companies valued at equity	7	**218**	192
-Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	6	**893**	1,527
-Payments for investments in securities		**(3,767)**	(2,280)
-Proceeds from disposals of securities		**2,534**	2,617
Cash (used for) investing activities		**(2,530)**	**(830)**
Financing activities:			
Increase in financing liabilities	34.3	**1,703**	3,297
Repayment of financing liabilities	34.3	**(419)**	(1,725)
Cash distribution to Airbus SE shareholders		**(1,043)**	(1,008)
Dividends paid to non-controlling interests		**(3)**	(4)
Changes in capital and non-controlling interests		**83**	60
Share buyback	32	**0**	(736)

(In € million)	Note	**2017**	2016
Cash provided by (used for) financing activities		**321**	**(116)**
Effect of foreign exchange rate changes on cash and cash equivalents		**(374)**	60
Net increase in cash and cash equivalents (1)		**1,861**	**3,483**
Cash and cash equivalents at beginning of period (1)		**10,160**	**6,677**
Cash and cash equivalents at end of period (1)	34.1	**12,021**	**10,160**
thereof presented as cash and cash equivalents (1)	34.1	**12,016**	10,143
thereof presented as part of disposal groups classified as held for sale	6.3	**5**	17

(1) Customer financing flows previously disclosed in separate line items on the face of the cash flow statement are now included within the cash flows from "other assets/ liabilities and others" (see "– Note 25 – Sales Financing Transactions").

(2) The 2017, cash provided by operating activities has been positively impacted by certain agreements reached with Airbus' suppliers and customers relating to the settlement of claims and negotiation on payment terms.

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

Airbus SE – IFRS Consolidated Statements of Changes in Equity for the years ended 31 December 2017 and 2016

		Equity attributable to equity holders of the parent									
					Accumulated other comprehensive income						
(In € million)	Note	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		**785**	**3,484**	**6,316**	**835**	**(6,864)**	**1,713**	**(303)**	**5,966**	**7**	**5,973**
Profit for the period		0	0	995	0	0	0	0	995	5	1,000
Other comprehensive income		0	0	(1,383)	(65)	(289)	(175)	0	(1,912)	10	(1,902)
Total comprehensive income of the period		0	0	(388)	(65)	(289)	(175)	0	(917)	15	(902)
Capital increase	32	2	58	0	0	0	0	0	60	0	60
Share-based payment (IFRS 2)	30	0	0	31	0	0	0	0	31	0	31
Cash distribution to Airbus SE shareholders / dividends paid to non-controlling interests	32	0	0	(1,008)	0	0	0	0	(1,008)	(4)	(1,012)
Equity transaction (IAS 27)		0	0	38	0	0	0	0	38	(23)	15
Change in treasury shares	32	0	0	(2)	0	0	0	(511)	(513)	0	(513)
Cancellation of treasury shares	32	(14)	(797)	0	0	0	0	811	0	0	0
Balance at 31 December 2016		**773**	**2,745**	**4,987**	**770**	**(7,153)**	**1,538**	**(3)**	**3,657**	**(5)**	**3,652**
Profit for the period		0	0	2,873	0	0	0	0	2,873	4	2,877
Other comprehensive income		0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income of the period		0	0	3,024	369	7,757	(539)	0	10,611	39	10,650
Capital increase	32	2	81	0	0	0	0	0	83	0	83
Capital decrease	32	0	0	0	0	0	0	0	0	0	0
Share-based payment (IFRS 2)	30	0	0	36	0	0	0	0	36	0	36
Cash distribution to Airbus SE shareholders / dividends paid to non-controlling interests	32	0	0	(1,043)	0	0	0	0	(1,043)	(3)	(1,046)
Equity transaction (IAS 27)		0	0	3	0	0	0	0	3	(28)	(25)
Change in non-controlling interests		0	0	0	0	0	0	0	0	0	0
Change in treasury shares	32	0	0	0	0	0	0	1	1	0	1
Cancellation of treasury shares	32	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2017		**775**	**2,826**	**7,007**	**1,139**	**604**	**999**	**(2)**	**13,348**	**3**	**13,351**

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

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Notes to the IFRS Consolidated Financial Statements

2.1 Basis of Presentation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE**, the "Company", and its subsidiaries, a European public limited-liability company (Societas Europaea) with its 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. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries is referred to as "Airbus" and no longer the "Group", and the segment formerly known as Airbus is referred to as "Airbus Commercial Aircraft". In this new set-up, Airbus retains Airbus Defence and Space and Airbus Helicopters as Divisions. In 2017, Airbus continued to report under the existing reportable segments. 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 14 February 2018.

2. Significant Accounting Policies

Basis of preparation — Airbus' 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 with 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.

Airbus 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. The most significant accounting policies are set out below:

Revenue recognition — Revenue is recognised to the extent that it is probable that the economic benefit arising from the ordinary activities of Airbus will flow to Airbus, that revenue can be measured reliably and that the recognition criteria, for each type of revenue-generating activity (sales of goods and services and construction contracts), have been met. Revenue is measured at the fair value of the consideration received or receivable. A new revenue recognition standard will be implemented from 1 January 2018, the principles described below will be impacted (see "– Note 4: Change in Accounting Policies and Disclosures").

Revenues from the sale of commercial aircraft are recognised when the aircraft is delivered, risks and rewards of ownership have been transferred to the customer and revenues can be measured reliably except for launch customer contracts (see "Revenue from construction contracts"). Revenues from sales of aircraft (and related cost of sales) always include the engine component. Customers will generally benefit from a concession from the engine manufacturer, negotiated directly between the customer and the engine manufacturer. When reliable information exists, the engine prices considered in our revenues (and cost of sales) reflect the effect of the concessions.

Revenue from construction contracts — Construction contract accounting is applied for military programmes, space projects as well as for launch customer contracts in the civil aircraft business if customers have significantly influenced the structural design and technology of the aircraft type under the contract. As a result of certain airline customers' increasing involvement in the development and production process of the A350 XWB programme, Airbus applies IAS 11 "Construction contracts" to a fixed number of launch customer contracts of the A350 XWB programme. When the outcome can be estimated reliably, revenues and contract costs are recognised as revenue and expensed respectively by reference to the percentage of completion of the contract activity at the end of the reporting period ("PoC method"). Contract revenues include the purchase price agreed with the customer considering escalation formulas, contract amendments and claims and penalties when assessed as probable. The PoC method used depends on the contract.

The method is based either on inputs (i.e. costs incurred for development contracts) or outputs (i.e. contractually agreed technical milestones, delivered units).

Whenever the outcome of a construction contract cannot be estimated reliably – for example during the early stages of a contract or during the course of a contract's completion – all related contract costs that are incurred are immediately expensed and revenues are recognised only to the extent of those costs being recoverable (the "early stage", also called "zero profit margin" method of accounting) (see "– Note 3: Key Estimates and Judgements").

Provisions for loss making contracts — Airbus records provisions for loss making contracts when it becomes probable that the total contract costs will exceed total contract revenues. Before a provision for loss making contracts is recorded, the related assets under construction are written-off. Loss making sales contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, 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 10: Revenues and Gross Margin" and "– Note 22: "Provisions, Contingent Assets and Contingent Liabilities").

Research and development expenses — Research and development activities can be either contracted or self-initiated.

The costs for contracted research and development activities, carried out in the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

The costs for self-initiated research are expensed when incurred. The costs for self-initiated 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;
- Airbus 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.

Development costs which are capitalised, 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, capitalised development costs 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. Inventories include work in progress arising under construction contracts for which revenues are recognised based on output methods.

Transactions in foreign currency, i.e. transactions in currencies other than the functional currency of an Airbus entity, 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 35: Information about Financial Instruments"), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

- in the profit before finance costs and income taxes if the substance of the transaction is commercial (including sales financing transactions); and
- in the 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 available-for‑sale are included in accumulated other comprehensive income ("AOCI").

Hedge accounting — Most of Airbus' revenues are denominated in US dollar ("US$"), while a major portion of its costs are incurred in euro. Airbus is significantly exposed to the risk of changes in US$/€ exchange rates. Furthermore, Airbus 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, Airbus enters into derivative contracts. Airbus applies cash flow 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 as part of the revenue) in the same period that the hedged items or transactions affect profit or loss.

The major portion of Airbus' 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.

Airbus' hedging strategies and hedge accounting policies are described in more detail in "– Note 35: Information about Financial Instruments".

3. Key Estimates and Judgements

The preparation of Airbus' 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 Airbus' Consolidated Financial Statements are mentioned below:

Revenue recognition on construction contracts — The PoC method is used to recognise revenue under construction contracts. 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 construction contract significant estimates include total contract costs, remaining costs to completion, total contract revenues, contract risks and other judgements.

The management of the operating Divisions continually review all estimates involved in such construction contracts and adjusts them as necessary (see "– Note 21: Trade Receivables and Trade Liabilities").

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates. Loss making contracts are identified by monitoring the progress of the contract as well as the underlying programme and updating the estimate of contract costs, which also requires significant judgement related to achieving certain performance standards as well as estimates involving warranty costs. Depending on the size and nature of Airbus' 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 (such as the A350 XWB and the A400M) or major derivative aircraft programmes particularly involves an increased level of estimates and judgements associated with the expected development, production and certification schedules and expected cost components.

Airbus makes estimates and provides, across the programmes, for costs related to in service technical issues which have been identified and for which solutions have been defined, and for which the associated costs can be reliably estimated reflecting the latest facts and circumstances. Airbus 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 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 Airbus' 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 (see "– Note 10: Revenues and Gross Margin" and "– Note 22: Provisions, Contingent Assets and Contingent Liabilities" for further information).

Employee benefits — Airbus 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 expense (see "– Note 29: Post-Employment Benefits").

Legal contingencies — Airbus companies are parties to litigations related to a number of matters as described in "– Note 36: Litigation and Claims". The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of Airbus. Management regularly analyses current information about 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 Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — Airbus 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, Airbus 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 Airbus' ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as Airbus' 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 15: Income Tax").

Other subjects that involve assumptions and estimates are further described in the respective notes (see "– Note 6: Acquisitions and Disposals", "– Note 17: Intangible Assets" and "– Note 21: Trade Receivables and Liabilities".

4. Change in Accounting Policies and Disclosures

The accounting policies applied by Airbus for preparing its 2017 year-end Consolidated Financial Statements are the same as applied for the previous year. Amendments and improvements to standards effective on 1 January 2017 have no material impact on the Consolidated Financial Statements. As a result of the implementation of the amendment to IAS 7 “Disclosure initiative”, Airbus provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes (see “– Note 34: Net Cash”).

New, Revised or Amended IFRS Standards and Interpretations 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 2017 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
IFRS 9 “Financial instruments”	1 January 2018	Endorsed
IFRS 15 “Revenue from contracts with customers”	1 January 2018	Endorsed
Clarifications to IFRS 15 “Revenue from contracts with customers”	1 January 2018	Endorsed
Amendments to IFRS 2 “Classification and measurement of share-based payment transactions”	1 January 2018	Not yet endorsed
IFRIC 22 “Foreign currency transactions and advance consideration”	1 January 2018	Not yet endorsed
IFRS 16 “Leases”	1 January 2019	Endorsed
IFRIC 23 “Uncertainties over income tax treatments”	1 January 2019	Not yet endorsed

IFRS 9 “Financial Instruments”

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 “Financial instruments: recognition and measurement”. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The vast majority of Airbus’ financial instruments will be accounted for in a manner similar to IAS 39. In particular, Airbus’ bonds portfolio will continue to be held in a business model whose objective is achieved by both collecting contractual coupon payments and selling individual instruments and it will hence continue to be accounted for at fair value through other comprehensive income.

However, IFRS 9 will give rise to classification and measurement changes of Airbus’ sales financing portfolio and certain equity investments.

Airbus’ sales financing portfolio, being held with a view to facilitating aircraft sales rather than with the intention of collecting all of the contractual interest and principal payments until maturity, will henceforth be measured at fair value through profit or loss (as opposed to amortised cost under IAS 39).

The equity investments in the scope of IFRS 9, including the non-quoted ones, will be measured at fair value in the future. Airbus will determine on an instrument-by-instrument basis whether to elect accounting for an individual investment at fair value through other comprehensive income.

No material impact will arise from these changes on transition.

The same is true for moving from the incurred loss model under IAS 39 to an expected loss model under IFRS 9. Owing to the high credit quality of Airbus’ bond portfolio, the expected losses to be recognized under IFRS 9 will be insignificant. Airbus will apply the low credit risk exemption allowing Airbus 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, Airbus has determined that its trade receivables and contract assets generally have low credit risk, and the related loss allowances to be recognized under IFRS 9 will not be significantly different from current levels. Airbus will apply the practical approach of always measuring expected credit losses of trade receivables and contract assets on a lifetime basis.

Moving from IAS 39 to IFRS 9, including hedge accounting, as of 1 January 2018 should not have any significant impact on Consolidated Financial Statements. However, going forward, Airbus will take the opportunity provided by IFRS 9 of aligning its major hedge accounting strategies more closely with its risk management activities (see "- Note 35: Information about financial instrument" for more details). For certain hedges where Airbus designates the change in the value of the spot element of a forward contract as being hedged, Airbus will apply the cost of hedging approach to the foreign currency swap points, allowing Airbus to recognize the change in the value of the swap points in OCI (rather than profit or loss).

Airbus has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly will not restate comparative periods in the year of initial application. As a consequence, any adjustments to carrying amounts of financial assets or liabilities will be recognized at the beginning of the reporting period, with the difference recognized in opening retained earnings.

Airbus does not expect material changes from the implementation of IFRS 9.

IFRS 15 “Revenue from Contracts with Customers”

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 will replace the current revenue recognition standards IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations.

Airbus will adopt the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the comparative 2017 results included in the 2018 financial statements will be restated, and equity will be adjusted as of 1 January 2017. Airbus will elect practical expedients for completed contracts and contract modifications.

Airbus is completing the restatement of its comparative financial statements.

Airbus has estimated the impact that the initial application of IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of this standard is summarised below.

As of 1 January 2017:

(In € billion)	As reported at 31 December 2016	Estimated adjustments due to the adoption of IFRS 15	Estimated adjusted opening balance at 1 January 2017
Equity	3.7	(2.1)	1.6

The actual impacts may differ from the estimates above when adopting the standard as of 1 January 2018. The practical implementation on the Airbus’ accounting policies relating to IFRS 15 are subject to change until Airbus presents its first financial statements that include the date of initial application.

IFRS 15 will not impact the overall profitability over the lifetime of contracts and the cash flows. As such IFRS 15 quantitative impacts on equity are phasing differences.

Revenue from construction contracts

Airbus has compared its current accounting policies and practices to the requirements of the new standard. As a result of this analysis, Airbus expects that the adoption of IFRS 15 will have a significant impact on the timing of revenue recognition on certain long-term construction contracts that are currently accounted for under IAS 11. The most significant changes will result from the following:

- Several performance obligations will be identified instead of recognising a single contract margin under IAS11 (*e.g.* A400M, NH90 contracts). In some cases, the over-time (e.g. PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, on A350 launch contracts, on A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft will hence be recognised at a point of time (*e.g.* upon delivery of the aircraft to the customer).
- Under IFRS 15, measurement of the revenue will take into account variable consideration constraints in order to achieve high likelihood that a significant reversal of the recognised revenue will not occur in the future. The constraint in assessing revenue at completion for some contracts will generate a decrease in recognised revenue.
- Under IFRS15, for the application of the overtime method (PoC method), the measure of the progress towards complete satisfaction of a performance obligations will be based on inputs (*i.e.* cost incurred) rather than on outputs (*i.e.* milestones achieved). At Airbus current long-term construction contracts progress is usually measured based on milestones achieved (*e.g.* Tiger programme, satellites, orbital infrastructures). Under IFRS 15, Airbus will measure progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

Revenue from the sale of commercial aircraft

With respect to the commercial aircraft business, other than sales made under the A350 launch contracts described above, IFRS 15 will not change the timing of recognising revenue, which will continue to be recognised when the customer takes delivery of the aircraft.

IFRS 15 will impact the presentation of the revenue. Under IAS 18, Airbus recognizes revenues based on the amount of its contracts with its customer, unless it has confirmation of the amount of the price concession. In contrast, IFRS 15 requires Airbus to estimate the amount of price concession in all cases and to treat the price concession as a reduction of revenue and cost of sales. Under IFRS 15, revenue and cost of sales will be decreased by the amount of the estimated concession granted by Airbus engine supplier to their customers. This change in presentation triggers an equal decrease between revenue and cost of sales for an amount of € 7.4 billion in 2017 with no impact on Gross Margin, EBIT and on the Cash Flows of the company.

Impacts on the disclosures

IFRS 15 requires a disclosure of the unperformed performance obligations (represent obligations under binding contracts which are not or not fully completed). In its 2018 financial statements, Airbus will elect the practical expedient which will allow disclosing the unperformed performance obligations as at 31 December 2018 without comparative figures.

IFRS 16 "Leases"

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to underlying asset and a lease liability representing its obligation to make lease payments.

As at 31 December 2017, Airbus has operating lease commitments of € 1,025 million. IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases; instead certain information is disclosed as operating lease commitments in "– Note 18: Property, Plant and Equipment".

The assessment of the materiality of IFRS 16 impact on the Airbus' Consolidated Financial Statements is currently being performed.

2.2 Airbus Structure

5. Scope of Consolidation

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

Subsidiaries are entities controlled by Airbus including so-called structured entities, which are created to accomplish a narrow and well-defined objective (see "– Note 25: Sales Financing Transactions"). They are fully consolidated from the date control commences to the date control ceases.

The assessment of control of a structured entities is performed in three steps. In a first step, Airbus 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, Airbus assesses which activity is expected to have the most significant impact on the structured entities' return. Finally, Airbus determines which party or parties control this activity.

Airbus' interests in equity-accounted investees comprise investments in associates and joint ventures. Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost.

The financial statements of Airbus' 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 Airbus.

PERIMETER OF CONSOLIDATION

	31 December	
(Number of companies)	**2017**	2016
Fully consolidated entities	**207**	244
Investments accounted for under the equity method:		
- in joint ventures	**40**	52
- in associates	**23**	23
Total	**270**	**319**

For more details related to unconsolidated and consolidated structured entities, please see "– Note 25: Sales Financing Transactions".

6. 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 Airbus.

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 any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, Airbus 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 Airbus' 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 Airbus 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 Airbus 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 the equity method is highly probable and will 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 accounted for under the equity method.

6.1 Acquisitions

On 16 October 2017, Airbus and **Bombardier Inc. ("Bombardier")** 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 will provide procurement, sales and marketing, and customer support expertise to the C Series Aircraft Limited Partnership ("CSALP"), the entity that manufactures and sells the C Series. At closing, Airbus will acquire a 50.01% interest in CSALP. Bombardier and Investissement Québec will own approximately 31% and 19%, respectively. 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 transaction remains subject to regulatory approvals, as well as other conditions usual in this type of transaction.

On 9 March 2016, Airbus Commercial Aircraft acquired 100% of the shares of the **Navtech Inc. Group ("Navtech")**, a leading global provider of flight operations solutions, and has recognised goodwill of € 104 million. The purchase price allocation ended on 9 March 2017. No adjustment was made on the goodwill. Navtech provides aviation services with a suite of flight operations products, aeronautical charts, navigation data solutions, flight planning, aircraft performance and crew planning solutions. Navtech generates annual revenues of approximately US$ 40 million and employs over 250 employees, mainly based in Waterloo (Canada) and in Hersham and Cardiff (UK).

6.2 Disposals

On 17 October 2017, Airbus and StandardAero Aviation Holdings, Inc signed a sale purchase agreement for **Vector Aerospace Holding SAS ("Vector")** which was closed on 3 November 2017. Vector is a global aerospace maintenance, repair and overhaul company, providing quality support for turbine engines, components, and fixed and rotary-wing aircraft. It generated revenues of € 638 million in 2016 and employs approximately 2,200 people in 22 locations. Airbus Helicopters received € 542 million and recognized a non-material gain which is reflected in other income.

On 28 February 2017, Airbus sold its **defence electronics business**, a leading global provider of mission-critical sensors, integrated systems and services for premium defence and security applications mainly based in Ulm (Germany), to affiliates of KKR & Co. L.P. (the acquirer), a leading global investment firm. The German defence electronics business was sold for € 823 million, Airbus Defence and Space recognised a net gain on sale of € 604 million. The closing for the French defence electronics business will occur after full separation of the business sold from Airbus other business activities and is expected to take place in 2018. The divestment is part of the strategic review of the Airbus Defence and Space business portfolio. The assets and liabilities of this company were classified as a disposal group held for sale as of 31 December 2016. With respect to extending security clearance for the Airbus Defence and Space business, Airbus made a 25.1% reinvestment into **Hensoldt Holding Germany GmbH**, a subsidiary of the acquirer which now holds the transferred business. The reinvestment took the form of an equity investment of € 6 million and a shareholder loan of € 109 million. In addition, the reinvestment agreement provides for a combined put/call option mechanism which is subject to full separation being achieved and will then allow the acquirer to take over Airbus' equity investment and shareholder loan at a pre-determined price at any time, and Airbus to sell them to the acquirer at that price after three years.

On 3 April 2017, Airbus sold its 49% stake in **Atlas** to Thyssen Krupp.

On 17 June 2015, Airbus Commercial Aircraft signed an agreement with Singapore-based ST Aerospace Ltd. ("STA") to offer passenger-to-freighter ("P2F") conversion solutions for its A320 and A321 aircraft. **Elbe Flugzeugwerke's ("EFW")**, Dresden (Germany), assets and liabilities were classified as disposal groups held for sale as of 31 December 2015. On 4 January 2016, STA acquired an additional 20% of the shares by way of a contribution in kind and a capital increase to EFW, and consequently, Airbus lost the control of EFW. Airbus retains 45% of the shares of EFW with significant influence. As per 2016 financial statements, Airbus Commercial Aircraft has recognised in other income a € 19 million gain during the year.

On 2 June 2016, Airbus DS Holding SAS (France) and Astrium International Holdings B.V. (Netherlands), as beneficiaries, and a French private equity firm, Apax Partners, closed the sale of the **business communications entities**. The assets and liabilities of these entities were previously classified as disposal groups held for sale. The gain resulting from this transaction of € 146 million was recognised in other income (reported in Airbus Defence and Space Division).

On 14 June 2016, Airbus Group SAS sold approximately 1.33 million shares in **Dassault Aviation**, around 62% to institutional investors and 38% to Dassault Aviation, at a price of € 950 per share. The total gain on these transactions amounted to € 528 million recognised in other income (reported in "Other / HQ / Conso."). The remaining investment, representing 10% of Dassault Aviation's share capital, is classified as other investments and measured at fair value (see "– Note 19: Other Investments and Other Long-Term Financial Assets"). The resulting gain of € 340 million was recognised in other income (reported in "Other / HQ /Conso.") in 2016. The Company also issued bonds exchangeable in Dassault Aviation shares (see "– Note 34: Net Cash"). In the event of exchange in full of the bonds, Airbus will have fully disposed of its Dassault Aviation stake.

On 20 May 2016, Airbus and Safran signed the second phase of the Master Agreement enabling the joint venture **ArianeGroup** (formerly Airbus Safran Launchers, "ASL") to be fully equipped for all design, development, production and commercial activities related to civil and military launchers and associated propulsion systems. During the second phase, Safran and Airbus integrated within the joint venture all the remaining contracts, assets and industrial resources, related to space launchers and associated propulsion systems. On 30 June 2016, Airbus contributed the second phase assets and liabilities in exchange for shares issued by Airbus Safran Launchers Holding, and also sold additional assets in exchange for € 750 million in cash. In 2016, Airbus participation in ArianeGroup was accounted for at-equity for a € 677 million amount. In 2016, the loss of control in the business resulted in a capital gain of € 1,175 million recognised in other income (reported in Airbus Defence and Space Division). Airbus and Safran finalised the respective contribution balance sheet in the third quarter 2016 in alignment with the provision of the Master Agreement. On 31 December 2016, the transfer of the 34.68% of CNES's stake in Arianespace to ArianeGroup was completed. ArianeGroup holds 74% of the shares of Arianespace. This change in the shareholder mix at Arianespace finalises the creation of a new launcher governance in Europe.

The ArianeGroup joint venture transaction was finalised in 2017 with a final agreement on Airbus contribution balance sheet leading to € 52 million additional capital gain on the period. The purchase price allocation was completed as of 30 June 2017. The purchase price was mainly allocated to identified intangible assets for a € 395 million value, a € 16 million depreciation expense net of tax was recognised in 2017 (2016: € 7 million based on preliminary allocation). The remaining goodwill is part of the value of the investment accounted for under the equity method in ArianeGroup (see "– Note 7: "Investments Accounted for under the Equity Method").

6.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2017, Airbus accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 202 million (2016: € 1,148 million). **Disposal group of liabilities classified as held for sale** as of 31 December 2017 amount to € 106 million (2016: € 991 million). The assets and disposal groups classified as held for sale are mainly related to assets and liabilities from non-core businesses planned to be sold under the strategic portfolio review within Airbus Defence and Space.

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

	31 December	
(In € million)	**2017**	2016
Non-current financial assets	**0**	13
Other non-current assets	**81**	354
Inventory	**16**	428
Trade receivables	**74**	247
Other assets	**26**	89
Cash and cash equivalents	**5**	17
Assets and disposal group of assets classified as held for sale	**202**	**1,148**
Provisions	**19**	559
Non-current financial liabilities	**0**	6
Trade liabilities	**16**	85
Other liabilities	**71**	341
Disposal group of liabilities classified as held for sale	**106**	**991**

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

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

(In € million)	**2017**	2016
Total selling price received by cash and cash equivalents	**1,298**	2,273
Cash and cash equivalents included in the disposed subsidiaries	**(28)**	(15)
Total	**1,270**	**2,258**

The aggregate cash flow from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2017 results mainly from the sale of the defence electronics business, the sale of Vector and the completion of ArianeGroup.

The aggregate cash flow from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2016 was mainly from the completion of the creation of ArianeGroup, the sale of Dassault Aviation shares and the sale of business communication entities.

7. Investments Accounted for under the Equity Method

	31 December	
(In € million)	**2017**	2016
Investments in joint ventures	**1,485**	1,437
Investments in associates	**193**	171
Investments accounted for under the equity method	**1,678**	**1,608**

Investments accounted for under the equity method increased by € 70 million to € 1,678 million (2016: € 1,608 million) and mainly includes the equity investments in ArianeGroup, MBDA and ATR.

7.1 Investments in Joint Ventures

The joint ventures in which Airbus 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. Airbus and its partners have rights to the net assets of these entities through the terms of the contractual agreements.

Airbus' interest in its joint ventures, being accounted for under the equity method, is stated in aggregate in the following table.

(In € million)	**2017**	2016
Airbus' interest in equity on investee at beginning of period	**1,437**	**1,264**
New joint ventures (1)	**0**	595
Result from continuing operations attributable to Airbus	**296**	182
Other comprehensive income attributable to Airbus	**53**	(93)
Dividends received during the year	**(255)**	(195)
Reclassification as asset held for sale	**0**	(198)
Deconsolidation of investment	**0**	(112)
Others (2)	**(46)**	(6)
Carrying amount of the investment at 31 December	**1,485**	**1,437**

(1) In 2016, it includes the impact of the completion of the second phase of the ArianeGroup creation. For more details, please see "– Note 6: Acquisitions and Disposals".

(2) In 2017, it includes the impact of the finalisation of the ArianeGroup joint venture transaction. For more details, please see "– Note 6: Acquisitions and Disposals".

Airbus' 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 Airbus 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.

Airbus held a 37.5% stake in **MBDA** at 31 December 2017 and 2016, which is a joint venture between Airbus, BAE Systems and Leonardo (formerly Finmeccanica). 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 Alenia Aermacchi, a Leonardo (formerly Finmeccanica) group company and Airbus. Both Alenia Aermacchi and Airbus provide airframes which are assembled by ATR GIE in France. The members of ATR GIE are legally entitled to the whole 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)	**2017**	2016	**2017**	2016	**2017**	2016
Revenues	**3,408**	2,227	**3,107**	2,955	**1,600**	1,651
Depreciation and amortisation	**(112)**	(35)	**(95)**	(92)	**(42)**	(18)
Interest income	**2**	2	**9**	8	**0**	0
Interest expense	**(4)**	(2)	**(6)**	(3)	**0**	(3)
Income tax expense	**(71)**	(40)	**(92)**	(66)	**(7)**	(3)
Profit from continuing operations	**247**	102	**231**	213	**265**	331
Other comprehensive income	**39**	(4)	**145**	(215)	**0**	14
Total comprehensive income (100%)	**286**	**98**	**376**	**(2)**	**265**	**345**
Non-current assets	**5,611**	5,324	**2,316**	2,339	**159**	147
Current assets	**5,335**	5,518	**7,408**	6,425	**743**	814
thereof cash and cash equivalents	***807***	*797*	***2,818***	*1,890*	***8***	*7*
Non-current liabilities	**496**	526	**1,145**	1,357	**131**	98
thereof non-current financial liabilities (excluding trade and other	***31***	*35*	***0***	*7*	***0***	*0*
Current liabilities	**6,470**	6,511	**7,966**	7,119	**426**	407
thereof current financial liabilities (excluding trade and other	***36***	*333*	***55***	*122*	***0***	*0*
Total equity (100%)	**3,980**	**3,805**	**613**	**288**	**345**	**456**
Equity attributable to equity owners of the parent	**3,973**	3,797	**613**	288	**345**	456
Non-controlling interests	**7**	8	**0**	0	**0**	0

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2017**	2016	**2017**	2016	**2017**	2016
Airbus' interest in equity on investee	**1,987**	1,899	**230**	108	**173**	228
Goodwill	**244**	255	**282**	282	**0**	0
PPA adjustments, net of tax	**(1,537)**	(1,479)	**0**	0	**0**	0
Contingent liability release adjustment	**(15)**	0	**0**	0	**0**	0
Fair value adjustments and modifications for differences in accounting policies	**10**	0	**(47)**	(14)	**0**	0
Elimination of downstream inventory	**2**	2	**0**	0	**(4)**	(4)
Carrying amount of the investment at 31 December	**691**	**677**	**465**	**376**	**169**	**224**

The development of these investments is as follows:

	ArianeGroup		MBDA		ATR GIE	
(In € million)	**2017**	2016	**2017**	2016	**2017**	2016
Airbus' interest in equity on investee at beginning of period	**677**	**51**	**376**	**394**	**224**	**232**
Result from continuing operations attributable to Airbus	**78**	38	**88**	80	**133**	166
Other comprehensive income attributable to Airbus	**13**	(2)	**54**	(82)	**(14)**	7
Dividends received during the year	**(25)**	0	**(53)**	(16)	**(174)**	(177)
Changes in consolidation	**0**	590	**0**	0	**0**	0
Others	**(52)**	0	**0**	0	**0**	(4)
Carrying amount of the investment at 31 December	**691**	**677**	**465**	**376**	**169**	**224**

Airbus' share of contingent liabilities as of 31 December 2017 relating to MBDA is € 308 million (2016: € 455 million) and to ArianeGroup is € 8 million (2016: € 16 million).

7.2 Investments in Associates

Airbus' interests in associates, being accounted for under the equity method, are stated in aggregate in the following table:

(In € million)	**2017**	2016[1]
Airbus' interest in equity on investee at beginning of period	**171**	**62**
Result from continuing operations attributable to Airbus	**37**	49
Other comprehensive income attributable to Airbus	**(7)**	(27)
Dividends received during the year	**(8)**	(10)
Disposal of shares	**0**	(3)
Changes in consolidation [1]	**0**	100
Carrying amount of the investment at 31 December	**193**	**171**

(1) In 2016, it included the change in consolidation method of EFW.

The cumulative unrecognised comprehensive loss amounts for these associates to € -47 million and € -108 million as of 31 December 2017 and 2016, respectively (thereof € 61 million for the period).

8. Related Party Transactions

(In € million)	Sales of goods and services and other income	Purchases of goods and services and other expenses	Receivables due as of 31 December	Payables due as of 31 December	Loans granted / Other receivables due as of 31 December	Loans received / Other liabilities due as of 31 December
2017						
Total transactions with associates	7	234	5	39	92	14
Total transactions with joint ventures	2,205	282	989	730	1	1,076
2016						
Total transactions with associates	11	55	4	9	91	6
Total transactions with joint ventures	1,904	488	1,213	203	2	817

Transactions with unconsolidated subsidiaries are immaterial to Airbus' Consolidated Financial Statements.

As of 31 December 2017, Airbus granted guarantees of € 152 million to Air Tanker group in the UK (2016: € 152 million).

For information regarding the funding of Airbus' pension plans, which are considered as related parties, please see "– Note 29: "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 31: Remuneration".

2.3 Segment Information

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

- **Airbus Commercial Aircraft** — Development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.
- **Airbus Helicopters** — Development, manufacturing, marketing and sale of civil and military helicopters; provision of helicopter related services.
- **Airbus Defence and Space** — Military Aircraft designs, develops, delivers, and supports military aircraft such as combat, mission, transport and tanker aircraft as well as Unmanned Aerial systems and their associated services. Space Systems designs, develops delivers, and supports full range of civil and defence space systems for telecommunications, earth observations, navigation, science and orbital systems. Communication, Intelligence & Security provides 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.

9. Segment Information

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

Airbus uses EBIT as a key indicator of its economic performance.

Business segment information for the year ended 31 December 2017 is as follows:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	**Consolidated**
Total revenues	50,958	6,450	10,804	68,212	55	68,267
Internal revenues	(919)	(476)	(100)	(1,495)	(5)	(1,500)
Revenues	**50,039**	**5,974**	**10,704**	**66,717**	**50**	**66,767**
Profit before finance costs and income taxes (EBIT)	**3,428**	**337**	**212**	**3,977**	**(556)**	**3,421**
thereof:						
- depreciation and amortisation	*(1,593)*	*(209)*	*(429)*	*(2,231)*	*(67)*	*(2,298)*
- research and development expenses	*(2,011)*	*(306)*	*(322)*	*(2,639)*	*(168)*	*(2,807)*
- share of profit from investments accounted for under the equity method	*144*	*5*	*183*	*332*	*1*	*333*
- additions to other provisions (see Note 22)	*(912)*	*(667)*	*(2,319)*	*(3,898)*	*(162)*	*(4,060)*
Interest result						(328)
Other financial result						1,477
Income taxes						(1,693)
Profit for the period						**2,877**

Business segment information for the year ended 31 December 2016 is as follows:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ / Conso.	**Consolidated**
Total revenues	49,237	6,652	11,854	67,743	57	67,800
Internal revenues	(646)	(448)	(118)	(1,212)	(7)	(1,219)
Revenues	**48,591**	**6,204**	**11,736**	**66,531**	**50**	**66,581**
Profit before finance costs and income taxes (EBIT)	**1,543**	**308**	**(93)**	**1,758**	**500**	**2,258**
thereof:						
- depreciation and amortisation	*(1,568)*	*(183)*	*(483)*	*(2,234)*	*(60)*	*(2,294)*
- research and development expenses	*(2,147)*	*(327)*	*(332)*	*(2,806)*	*(164)*	*(2,970)*
- share of profit from investments accounted for under the equity method	*185*	*6*	*41*	*232*	*(1)*	*231*
- additions to other provisions (see Note 22)	*(1,395)*	*(693)*	*(3,700)*	*(5,788)*	*(311)*	*(6,099)*
Interest result						(275)
Other financial result						(692)
Income taxes						(291)
Profit for the period						**1,000**

Segment capital expenditures

(In € million)	**2017**	**2016**
Airbus Commercial Aircraft	**1,851**	2,304
Airbus Helicopters	**192**	236
Airbus Defence and Space	**481**	469
Other / HQ / Conso.	**34**	51
Total capital expenditures [(1)]	**2,558**	**3,060**

(1) Excluding expenditure for leased assets

Segment assets

	31 December	
(In € million)	**2017**	2016
Airbus Commercial Aircraft	**59,678**	51,457
Airbus Helicopters	**9,124**	10,104
Airbus Defence and Space	**16,589**	16,457
Other / HQ / Conso.	**(755)**	1,709
Total segment assets	**84,636**	**79,727**
Unallocated		
Deferred and current tax assets	**4,512**	8,667
Securities	**12,571**	11,448
Cash and cash equivalents	**12,016**	10,143
Assets classified as held for sale	**202**	1,148
Total assets	**113,937**	**111,133**

The revenues by geographical areas are disclosed in "– Note 10: Revenues and Gross Margin". The property, plant and equipment by geographical areas is disclosed in "– Note 18: Property, Plant and Equipment".

2.4 Airbus Performance

10. Revenues and Gross Margin

Revenues are mainly comprised of sales of goods and services, as well as revenues associated with construction contracts accounted for under the PoC method, contracted research and development and customer financing.

(In € million)	**2017**	2016
Revenues from construction contracts	**10,838**	10,956
Other revenues (1)	**55,929**	55,625
Total (2)	**66,767**	**66,581**
thereof service revenues including sale of spare parts	***8,632***	*9,045*

(1) Includes mainly revenues from sales of commercial aircraft recognised under IAS 18.

(2) For more details, please see "– Note 9: Segment Information".

Revenues of € 66,767 million (2016: € 66,581 million) were stable compared to previous year. An increase at Airbus Commercial Aircraft (€ +1,721 million) was mostly driven by higher deliveries of 718 aircraft (in 2016: 688 aircraft), and a favourable foreign exchange impact. A decrease at Airbus Defence and Space (€ -1,050 million) was mainly due to perimeter changes for defence activities (see "– Note 6: Acquisitions and Disposals") and includes A400M programme revenues of € 1,880 million (2016: € 1,702 million).

The **gross margin** increased by € +2,343 million to € 7,607 million compared to € 5,264 million in 2016, mainly at Airbus Defence and Space and Airbus Commercial Aircraft, reflecting improved business performance. In 2017, there were lower net charges related to the A400M (€ 1,299 million, compared to € 2,210 million in 2016) and A350 XWB programmes (no charge, compared to € 385 million in 2016). The gross margin rate increased from 7.9% to 11.4%.

In 2017, Airbus Commercial Aircraft has delivered 78 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2017 have been reflected in the financial statements.

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

19 A400M aircraft were delivered in 2017. In total, 57 aircraft have been delivered as of 31 December 2017.

In 2017, Airbus continued with development activities toward achieving the revised capability roadmap.

As a result of the 2016 detailed contract reviews, Airbus Defence and Space had recorded a charge of € 2,210 million in the fiscal year 2016. Given the order of magnitude of the cumulative programme loss, the Board of Directors mandated the management in February 2017 to re-engage with customers to cap the remaining exposure.

In 2017, Airbus entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 7 February 2018 agreeing on a global re-baselining of the contract, including a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule. The DOI represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft.

A detailed review of the program concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit results in an update of the loss making contract provision of € 1,299 million for the year 2017 (thereof € 1.149 million in the fourth quarter 2017). Airbus' remaining exposure going forward is expected to be more limited. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, and on cost reductions as per the revised baseline. Airbus intends to turn the DOI into a firm contract within 2018.

The A400M contractual SOC 1, SOC 1.5, SOC 2, SOC 2.5 and SOC 3 development milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, SOC 2 end of December 2015 and SOC 2.5 end of October 2017. The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised.

Revenues by geographical areas based on the location of the customer are as follows:

(In € million)	**2017**	2016
Europe	**16,972**	21,377
Asia - Pacific	**24,816**	21,266
North America	**12,611**	8,931
Middle East	**8,406**	8,464
Latin America	**990**	4,925
Other countries	**2,972**	1,618
Total	**66,767**	**66,581**

11. Research and Development Expenses

Research and development expenses decreased by -5.5% primarily reflecting R&D activities on the A350 XWB programme at Airbus Commercial Aircraft. In addition, an amount of € 219 million of development costs has been capitalised, mainly related to the A330 Neo and H160 programmes.

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

(In € million)	**2017**	2016
Share of profit from investments in joint ventures	**296**	182
Share of profit from investments in associates	**37**	49
Share of profit from investments accounted for under the equity method	**333**	**231**
Other income from investments	**82**	**21**

Share of profit from investments under the equity method and **other income from investments** increased by € 163 million to € 415 million compared to € 252 million in 2016.

13. Other Income and Other Expenses

Other income decreased by € -1,708 million to € 981 million compared to € 2,689 million in 2016. In 2017, it mainly includes the capital gain of € 604 million from the sale of the defence electronics business. In 2016, it mainly included the capital gain of € 1,175 million following the completion of the creation of ArianeGroup, the capital gain from the sale of Dassault Aviation shares of € 528 million and the revaluation at fair value of the remaining investment in Dassault Aviation for € 340 million. For more details, please see "– Note 6: Acquisitions and Disposals".

Other expenses increased to € -336 million compared to € -254 million in 2016. It includes the arbitral award relating to the Republic of China (Taiwan). For more details, please see "– Note 36: Litigation and Claims".

14. Total Finance Costs

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

(In € million)	**2017**	2016
Interests on European Government refundable advances	**(270)**	(212)
Others	**(58)**	(63)
Total interest result (1)	**(328)**	**(275)**
Change in fair value measurement of financial instruments	**373**	(370)
Foreign exchange translation of monetary items	**219**	(220)
Unwinding of discounted provisions	**(61)**	(65)
Others	**946**	(37)
Total other financial result	**1,477**	**(692)**
Total	**1,149**	**(967)**

(1) In 2017, the total interest income amounts to € 189 million (in 2016: € 247 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 € -517 million (in 2016: € -522 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

Total finance costs improved by € 2,116 million to € 1,149 million compared to € -967 million in 2016. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of €+439 million and the revaluation of financial instruments of € +743 million. In addition, it included the impact of the decrease in the European Governments refundable advances primarily related to the A380 programme (see "– Note 23: Other Financial Assets and Other Financial Liabilities").

15. Income Tax

The expense for income taxes is comprised of the following:

(In € million)	**2017**	2016
Current tax expense	**(912)**	(753)
Deferred tax benefit (expense)	**(782)**	462
Total	**(1,693)**	**(291)**

Main income tax rates and main changes impacting Airbus:

(Rate in %)	**2017**	**2018**	**> 2018**
Netherlands	25.00	25.00	25.00
France [(1) (2)]	34.43	34.43	25.83
Germany	30.00	30.00	30.00
Spain	25.00	25.00	25.00
UK [(3)]	19.00	19.00	17.00

(1) 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.

(2) A corporate tax surcharge has been enacted at the end of 2017 to increase 2017 income tax rate up to 44.43% depending on turnover thresholds. Current income tax has been calculated accordingly for entities above these thresholds.

(3) 20% until 31 March 2017, 19% from 1 April 2017 until 31 March 2020 and 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)	**2017**	2016
Profit before income taxes	**4,570**	1,291
Corporate income tax rate	**25.0%**	25.0%
Expected (expense) for income taxes	**(1,143)**	(323)
Effects from tax rate differentials	**(156)**	(194)
Capital gains and losses on disposals / mergers [(1)]	**148**	655
Income from investments and associates [(1)]	**197**	(75)
Tax credit	**53**	73
Change of tax rate	**(82)**	(117)
Change in valuation allowances [(2)]	**(396)**	(102)
Tax contingencies [(1)]	**(318)**	(115)
Other non-deductible expenses and tax-free income [(1)]	**4**	(93)
Reported tax (expense)	**(1,693)**	**(291)**

(1) For previous year, certain items have now been presented separately.

(2) It represents reassessments of the recoverability of deferred tax assets based on future taxable profits.

The **income tax** expense of € -1,693 million (2016: € -291 million) corresponds to an effective tax rate of 37.1% (2016: 22.5%).

In 2017, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. It also included an additional income tax charge related to the Corporate French surtax and the reduction in deferred tax asset due to the income tax rate decrease in the US, both enacted end of 2017. This was partially compensated by the disposal of the defence electronics business, which is taxed at a reduced rate. Without these impacts, the effective tax rate would be approximately 26%.

In 2016, the effective tax rate was due to the sale of shares of Dassault Aviation and the creation of ASL, both subject to specific tax treatment. These were partially compensated by additional income tax charges including the planned reduction of the income tax rate in France from 34.43% to 28.92% enacted in December 2016. Without these impacts, the effective tax rate would be approximately 28%.

As Airbus 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 Airbus 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, Airbus assesses its ability to control the distribution of dividends based on existing shareholder agreements and recognises deferred tax liabilities accordingly.

As of 31 December 2017, 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 € 127 million.

Companies in deficit situations in two or more subsequent years recorded a total deferred tax asset balance of € 10 million (in 2016: € 1 million). Assessments show that these deferred tax assets will be recovered in future through either (i) own projected profits, or (ii) profits of other companies integrated in the same fiscal group ("régime d'intégration fiscale" in France, "steuerliche Organschaft" in Germany) or (iii) via the "loss surrender-agreement" in the UK.

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

(In € million)	France	Germany	Spain	UK	Other countries	**31 December 2017**	31 December 2016
NOL	804	1,036	454	1,595	380	**4,269**	4,909
Trade tax loss carry forwards	0	1,051	0	0	0	**1,051**	1,510
Tax credit carry forwards	0	0	488	55	4	**547**	460
Tax effect	**277**	**313**	**601**	**326**	**100**	**1,617**	**1,706**
Valuation allowances	(123)	(300)	(236)	(50)	(24)	**(733)**	(486)
Deferred tax assets on NOL's and tax credit carry forwards	**154**	**13**	**365**	**276**	**76**	**884**	**1,220**

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

Roll forward of deferred taxes:

(In € million)	**2017**	2016
Net deferred tax assets at beginning of period	**6,265**	**5,559**
Deferred tax benefit in income statement	**(782)**	462
Deferred tax recognised directly in AOCI (IAS 39)	**(2,881)**	(7)
Deferred tax on remeasurement of the net defined benefit pension plans	**(26)**	365
Others	**41**	(114)
Net deferred tax assets at 31 December	**2,617**	**6,265**

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

(In € million)	**2017**	2016
Available-for-sale investments	**(124)**	(97)
Cash flow hedges	**(238)**	2,616
Deferred tax on remeasurement of the net defined benefit pension plans	**1,652**	1,678
Total	**1,290**	**4,197**

Deferred income taxes as of 31 December 2017 are related to the following assets and liabilities:

	1 January 2017		Other movements		Movement through income statement		**31 December 2017**	
(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	(610)	0	16	0	9	**70**	**(585)**
Property, plant and equipment	741	(1,384)	0	(48)	0	115	**681**	**(1,257)**
Investments and other long-term financial assets	197	(306)	0	34	0	450	**542**	**(167)**
Inventories	1,140	(1,327)	0	28	0	(803)	**899**	**(1,861)**
Receivables and other assets	2,007	(1,167)	(918)	(19)	0	(625)	**2,542**	**(3,264)**
Prepaid expenses	1	0	0	0	0	(3)	**0**	**(2)**
Provision for retirement plans	1,420	0	(34)	32	0	62	**1,480**	**0**
Other provisions	3,876	(1,435)	0	0	0	11	**3,695**	**(1,243)**
Liabilities	4,785	(2,688)	(2,159)	(2)	0	545	**2,696**	**(2,215)**
Deferred income	105	(71)	0	(18)	0	(19)	**68**	**(71)**
NOL and tax credit carry forwards	1,706	0	0	0	39	(128)	**1,617**	**0**
Deferred tax assets (liabilities) before offsetting	**16,048**	**(8,988)**	**(3,111)**	**23**	**39**	**(386)**	**14,290**	**(10,665)**
Valuation allowances on deferred tax assets	(795)	0	204	(21)	0	(396)	**(1,008)**	**0**
Set-off	(7,696)	7,696	0	0	0	0	**(9,684)**	**9,684**
Net deferred tax assets (liabilities)	**7,557**	**(1,292)**	**(2,907)**	**2**	**39**	**(782)**	**3,598**	**(981)**

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

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement		**31 December 2016**	
(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	53	(538)	0	16	0	(71)	70	(610)
Property, plant and equipment	832	(1,353)	0	8	0	(130)	741	(1,384)
Investments and other long-term financial assets	186	(157)	(10)	(46)	0	(82)	197	(306)
Inventories	1,333	(752)	0	111	0	(879)	1,140	(1,327)
Receivables and other assets	837	(2,615)	(4)	21	0	2,601	2,007	(1,167)
Prepaid expenses	3	(1)	0	0	0	(1)	1	0
Provision for retirement plans	1,519	0	393	(77)	0	(415)	1,420	0
Other provisions	1,999	(627)	0	14	0	1,055	3,876	(1,435)
Liabilities	4,007	(440)	1	(71)	0	(1,400)	4,785	(2,688)
Deferred income	98	(74)	0	(7)	0	17	105	(71)
NOL and tax credit carry forwards	1,849	0	0	(91)	81	(133)	1,706	0
Deferred tax assets (liabilities) before offsetting	**12,716**	**(6,557)**	**380**	**(122)**	**81**	**562**	**16,048**	**(8,988)**
Valuation allowances on deferred tax assets	(600)	0	(22)	(15)	(58)	(100)	(795)	0
Set-off	(5,357)	5,357	0	0	0	0	(7,696)	7,696
Net deferred tax assets (liabilities)	**6,759**	**(1,200)**	**358**	**(137)**	**23**	**462**	**7,557**	**(1,292)**

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

16. Earnings per Share

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	**€ 2,873 million**	€ 995 million
Weighted average number of ordinary shares	**773,772,702**	773,798,837
Basic earnings per share	**€ 3.71**	€ 1.29

Diluted earnings per share – Airbus' 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. In 2016, it also included the last Stock Option Plan ("SOP") expired in December 2016. During 2017, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 505,536 shares (in 2016: 287,807 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 2017, by adding back € 7 million of interest expense to the profit for the period attributable to equity owners of the parent (2016: € 7 million) and by including 5,022,990 of dilutive potential ordinary shares.

	2017	2016
Profit for the period attributable to equity owners of the parent (Net income)	**€ 2,880 million**	€ 1,002 million
Weighted average number of ordinary shares (diluted) [1]	**779,301,228**	779,109,634
Diluted earnings per share	**€ 3.70**	€ 1.29

(1) Dilution assumes conversion of all potential ordinary shares.

2.5 Operational Assets and Liabilities

17. Intangible Assets

Intangible assets comprise (i) goodwill (see "– Note 5: 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.

Intangible assets as of 31 December 2017 and 2016 comprise the following:

	31 December 2017			1 January 2017		
(In € million)	**Gross amount**	**Amortisation / Impairment**	**Net book value**	Gross amount	Amortisation / Impairment	Net book value
Goodwill	**10,180**	**(1,040)**	**9,141**	10,498	(1,073)	9,425
Capitalised development costs	**3,104**	**(1,340)**	**1,763**	2,871	(1,164)	1,707
Other intangible assets	**3,135**	**(2,409)**	**725**	3,399	(2,463)	936
Total	**16,418**	**(4,789)**	**11,629**	**16,768**	**(4,700)**	**12,068**

Net Book Value

(In € million)	Balance at 1 January 2017	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals [(1)]	Amortisation / Impairment	**Balance at 31 December 2017**
Goodwill	9,425	(72)	0	0	(208)	(4)	0	**9,141**
Capitalised development costs	1,707	(8)	220	0	34	(5)	(185)	**1,763**
Other intangible assets	936	(27)	189	0	(164)	(2)	(207)	**725**
Total	**12,068**	**(107)**	**409**	**0**	**(338)**	**(11)**	**(392)**	**11,629**

(1) Includes intangible assets from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification [(1)]	Disposals [(1)]	Amortisation/ Impairment	Balance at 31 December 2016
Goodwill	9,907	(11)	89	52	(102)	(510)	0	9,425
Capitalised development costs	1,659	(38)	311	3	(19)	0	(209)	1,707
Other intangible assets	989	10	199	21	(15)	(26)	(242)	936
Total	**12,555**	**(39)**	**599**	**76**	**(136)**	**(536)**	**(451)**	**12,068**

(1) Includes intangible assets from entities reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

Intangible assets decreased by € -439 million to € 11,629 million (2016: € 12,068 million) mainly due to the disposal of Vector. Intangible assets mainly relate to goodwill of € 9,141 million (2016: € 9,425 million).

Development Costs

Airbus has capitalised development costs in the amount of € 1,763 million as of 31 December 2017 (€ 1,707 million as of 31 December 2016), mainly for the Airbus Commercial Aircraft A350 XWB (€ 762 million) and A380 (€ 300 million) programmes. The amortisation for the A380 and A350 XWB programmes development costs is performed on a unit of production basis.

Impairment Tests

Airbus assesses each year 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 each financial year 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 cash-generating units 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 about future developments.

As of 31 December 2017 and 2016, goodwill was allocated to CGUs or group of CGUs, which is summarised in the following schedule:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Other / HQ	**Consolidated**
Goodwill as of 31 December 2017	6,838	129	2,160	14	**9,141**
Goodwill as of 31 December 2016	6,873	308	2,230	14	**9,425**

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

The annual impairment tests performed in 2017 led to no impairment charge.

The revised commercial outlook for the A380 programme has not triggered any impairment losses for capitalised development costs or jigs and tools dedicated to the programme.

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 Airbus' 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% (2016: 2%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US$/€ (2016: 1.25 US$/€) to convert in euro the portion of future US dollar which are not hedged (see "– Note 35: Information about Financial Instruments);

General economic data derived from external macroeconomic and financial studies has 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 the individual CGUs.

Airbus Commercial Aircraft

- 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 2017. 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 huge hedge portfolio, the carrying value and the planned cash flows of the CGU Airbus Commercial Aircraft are materially influenced.
- Cash flows are discounted using a euro weighted WACC of 9.6% (2016: 6.9%).

Airbus Helicopters

- The planning takes into 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. The terminal value reflects management's assessment of a normative operating year based on an outlook of a full aeronautic cycle over the next decade.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease of last three 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 WACC of 9.7% (2016: 6.7%).

Airbus Defence and Space

After a successful restructuring and portfolio review, Airbus Defence and Space's focus for the planning period is to increase business and profitability while implementing a growth strategy to pave the way for future upsides.

- 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 WACC of 8.3% (2016: 6.5%).

18. 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 2017 and 2016 comprise the following:

	31 December 2017			1 January 2017		
(In € million)	Gross amount	Depreciation / Impairment	Net book value [(1)]	Gross amount	Depreciation / Impairment	Net book value [(1)]
Land, leasehold improvements and buildings including buildings on land owned by others	**9,542**	**(4,452)**	**5,091**	9,444	(4,252)	5,192
Technical equipment and machinery	**21,004**	**(12,938)**	**8,066**	20,331	(12,076)	8,255
Other equipment, factory and office equipment [(2)]	**3,693**	**(2,754)**	**939**	3,933	(2,939)	994
Construction in progress	**2,514**	**0**	**2,514**	2,472	0	2,472
Total	**36,753**	**(20,144)**	**16,610**	**36,180**	**(19,267)**	**16,913**

(1) Includes the net book value of aircraft under operating lease (see "– Note 25: Sales Financing Transactions").

(2) Buildings, technical equipment and other equipment accounted for in fixed assets under finance lease agreements for net amounts to € 359 million (2016: € 356 million).

Net Book Value

(In € million)	Balance at 1 January 2017	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals (1)	Depreciation / Impairment	**Balance at 31 December 2017**
Land, leasehold improvements and buildings including buildings on land owned by others	5,192	(58)	123	(1)	167	(41)	(291)	**5,091**
Technical equipment and machinery	8,255	(128)	429	7	900	(17)	(1,380)	**8,066**
Other equipment, factory and office equipment	994	(29)	335	3	79	(220)	(223)	**939**
Construction in progress	2,472	(22)	1,452	0	(1,384)	(4)	0	**2,514**
Total	**16,913**	**(237)**	**2,339**	**9**	**(238)**	**(282)**	**(1,894)**	**16,610**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

(In € million)	Balance at 1 January 2016	Exchange differences	Additions	Changes in consolidation scope	Reclassification (1)	Disposals (1)	Depreciation / Impairment	Balance at 31 December 2016
Land, leasehold improvements and buildings including buildings on land owned by others	5,169	(61)	67	(3)	349	(37)	(292)	5,192
Technical equipment and machinery	8,350	(263)	531	20	1,059	(137)	(1,305)	8,255
Other equipment, factory and office equipment	1,034	(5)	419	2	109	(351)	(214)	994
Construction in progress	2,574	(88)	1,788	1	(1,615)	(188)	0	2,472
Total	**17,127**	**(417)**	**2,805**	**20**	**(98)**	**(713)**	**(1,811)**	**16,913**

(1) Includes property, plant and equipment from entities disposed and reclassified to assets of disposal groups classified as held for sale (see "– Note 6: Acquisitions and Disposals").

Property, plant and equipment decreased by € -303 million to € 16,610 million (2016: € 16,913 million) mainly at Airbus Helicopters (€ -210 million), primarily driven by the disposal of Vector.

For details on assets related to lease arrangements on sales financing, please see "– Note 25: Sales Financing Transactions".

Property, Plant and Equipment by Geographical Areas

	31 December	
(In € million)	**2017**	2016
France	**7,222**	7,263
Germany	**4,649**	4,348
UK	**2,193**	2,472
Spain	**1,613**	1,636
Other countries	**881**	1,078
Property, plant and equipment by geographical areas (1)	**16,558**	**16,797**

(1) Property, plant and equipment by geographical areas excludes leased assets of € 52 million (2016: € 116 million).

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” (€ 257 million as of 31 December 2017, 2016: € 310 million).

Future nominal operating lease payments (for Airbus as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to € 1,025 million as of 31 December 2017 (2016: € 768 million), and relate mainly to procurement operations (*e.g.* facility leases).

Maturities as of 31 December 2017 and 2016 are as follows:

	31 December	
(In € million)	**2017**	2016
Not later than 1 year	**202**	159
Later than 1 year and not later than 5 years	**516**	397
Later than 5 years	**307**	212
Total	**1,025**	**768**

19. Other Investments and Other Long-Term Financial Assets

	31 December	
(In € million)	**2017**	2016
Other investments	**2,441**	2,091
Other long-term financial assets	**1,763**	1,564
Total non-current other investments and other long-term financial assets	**4,204**	**3,655**
Current portion of other long-term financial assets	**529**	**522**
Total	**4,733**	**4,177**

Other investments mainly comprise Airbus’ participations. The significant participations at 31 December 2017 include the remaining investment in Dassault Aviation (Airbus share: 9.93%, 2016: 10.0%) amounting to € 1,071 million (2016: € 876 million).

Other long-term financial assets and the **current portion of other long-term financial assets** encompass other loans in the amount of € 1,521 million and € 1,147 million as of 31 December 2017 and 2016, and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

20. Inventories

	31 December 2017			31 December 2016		
(In € million)	Gross amount	Write-down	Net book value	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	**3,135**	**(484)**	**2,651**	3,288	(508)	2,780
Work in progress	**29,100**	**(6,448)**	**22,652**	27,304	(6,246)	21,058
Finished goods and parts for resale	**3,465**	**(612)**	**2,853**	3,374	(624)	2,750
Advance payments to suppliers	**3,374**	**(66)**	**3,308**	3,155	(55)	3,100
Total	**39,074**	**(7,610)**	**31,464**	**37,121**	**(7,433)**	**29,688**

Inventories of € 31,464 million (2016: € 29,688 million) increased by € +1,776 million. This is driven by Airbus Commercial Aircraft (€ +2,354 million), and mainly reflects an increase in work in progress associated with A350 XWB ramp-up. This increase was partly compensated by a decrease in Airbus Helicopters (€ -455 million), mainly related to the disposal of Vector (see “– Note 6: Acquisitions and Disposals”).

Write-downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues. In 2017, write-downs of inventories in the amount of € -126 million (2016: € -306 million) are recognised in cost of sales, whereas reversal of write-downs amounts to € 117 million (2016: € 217 million). At 31 December 2017 € 10,526 million of work in progress and € 2,301 million of finished goods and parts for resale were carried at net realisable value.

Inventories recognised as an expense during the period amount to € 47,065 million (2016: € 47,835 million).

21. Trade Receivables and Trade Liabilities

Trade receivables arise when Airbus 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 as well as receivables relating to construction contracts. Trade receivables are initially recognised at their transaction price and are subsequently measured at amortised cost less any allowance for impairment. Gains and losses are recognised in the Consolidated Income Statement when the receivables are derecognised or impaired as well as through the amortisation process.

Allowance for doubtful accounts involves significant management judgement and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.

Assets and liabilities relative to constructions contracts — In the construction contract business, an asset or liability is classified as current when the item is realised or settled within Airbus' normal operating cycle for such contracts and as non-current otherwise. As a result, assets and liabilities relating to the construction contract business such as trade receivables and payables and receivables from PoC method, that are settled as part of the normal operating cycle are classified as current even when they are not expected to be realised within 12 months after the reporting period.

Trade Receivables

	31 December	
(In € million)	**2017**	2016
Receivables from sales of goods and services	**8,628**	8,366
Allowance for doubtful accounts	**(270)**	(265)
Total	**8,358**	**8,101**
thereof trade receivable not expected to be collected within 1 year	***964***	*1,153*

The **trade receivables** of 8,358 million (2016: € 8,101 million) increased by € +257 million, mainly in Airbus Commercial Aircraft.

In application of the **PoC method**, as of 31 December 2017 an amount of € 2,917 million (2016: € 2,882 million) for construction contracts is included in the trade receivables net of related advance payments received.

The **aggregate amount of costs incurred and recognised profits (less recognised losses)** to date amounts to € 76,235 million (2016: € 73,017 million).

The **gross amount due from customers** for contract work, on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings. In 2017, it amounts to € 8,220 million (2016: € 7,887 million). Due to the nature of certain contracts and the respective recognition of revenues, these incurred costs also include associated work in progress and respective contract losses.

The **gross amount due to customers** for contract work on construction contracts recognised under the PoC method, is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). In 2017, the gross amount due to customers amounts to € 350 million (2016: € 87 million).

The respective movement in the allowance for doubtful accounts in respect of trade receivables during the year was as follows:

(In € million)	**2017**	2016
Allowance balance at beginning of period	**(265)**	**(276)**
Foreign currency translation adjustment	**1**	(1)
Utilisations / disposals	**38**	39
Additions	**(44)**	(27)
Allowance balance at 31 December	**(270)**	**(265)**

Trade Liabilities

The **trade liabilities** of € 13,444 million (2016: € 12,532 million) increased by € +912 million, mainly in Airbus Commercial Aircraft.

As of 31 December 2017, trade liabilities amounting to € 24 million (2016: € 133 million) will mature after more than one year.

22. Provisions, Contingent Assets and Contingent Liabilities

Provisions — The determination of provisions, for example for contract losses, warranty costs, restructuring measures and legal proceedings is based on best available estimates.

In general, as the contractual and technical parameters to be considered for provisions in the aerospace sector are rather complex, 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)	**2017**	2016
Provisions for pensions (see Note 29)	**8,361**	8,656
Other provisions	**8,367**	8,313
Total	**16,728**	**16,969**
thereof non-current portion	***10,153***	*10,826*
thereof current portion	***6,575***	*6,143*

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles and the strong performance of plan assets.

Other provisions are presented net of programme losses against inventories (see "– Note 20: Inventories").

Movements in other provisions during the year were as follows:

(In € million)	Balance at 1 January 2017	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2017**
Contract losses	1,151	(2)	0	1,512	(185)	(1,017)	(21)	**1,438**
Outstanding costs	2,160	(13)	0	858	10	(886)	(164)	**1,965**
Aircraft financing risks (1)	594	(81)	38	24	3	(33)	(16)	**529**
Obligation from services and maintenance agreements	591	0	8	56	0	(128)	(35)	**492**
Warranties	339	0	1	69	(4)	(73)	(29)	**303**
Personnel-related provisions	1,020	(4)	2	413	22	(388)	(46)	**1,019**
Litigation and claims	122	(1)	0	237	0	(62)	(8)	**288**
Asset retirement	166	0	8	5	0	0	(21)	**158**
Other risks and charges	2,170	(4)	0	886	(232)	(302)	(343)	**2,175**
Total	**8,313**	**(105)**	**57**	**4,060**	**(386)**	**(2,889)**	**(683)**	**8,367**

(1) See "– Note 25: Sales Financing Transactions".

Provisions for contract losses in 2017 mainly includes the A400M programme provisions after netting against inventories. The additions include the net charge of € 1,299 million for the A400M programme before netting with work in progress. Reclassification / Change in consolidated group mainly relates to the offsetting of the A400M programme contract provision to respective inventories (see "– Note 10: Revenues and Gross Margin" and "– Note 20: Inventories").

The majority of the addition to **provisions for outstanding costs** relates to Airbus Helicopters (€ 489 million), mainly for the NH90 and Tiger programmes, as well as to Airbus Defence and Space (€ 315 million), and corresponds among others to the Eurofighter programme and to diverse tasks to complete on construction contracts

Provisions for litigations and claims in 2017 includes the arbitral award relating to the Republic of China (Taiwan). For more details, please see "– Note 36: Litigation and Claims".

Personnel-related provisions include restructuring provisions and other personnel charges. For more details, please see "– Note 28: Personnel-Related Provisions".

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

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

For other contingent liabilities, please see "– Note 36: Litigation and Claims" and "– Note 10: Revenues 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.

23. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

	31 December	
(In € million)	**2017**	2016
Positive fair values of derivative financial instruments [1]	**2,901**	893
Others	**79**	83
Total non-current other financial assets	**2,980**	**976**
Receivables from related companies	**992**	517
Positive fair values of derivative financial instruments [1]	**663**	258
Others	**324**	482
Total current other financial assets	**1,979**	**1,257**
Total	**4,959**	**2,233**

(1) See "– Note 35: Information about Financial Instruments".

Other Financial Liabilities

	31 December	
(In € million)	**2017**	2016
Liabilities for derivative financial instruments [1]	**1,127**	6,544
European Governments refundable advances	**5,537**	6,340
Others	**284**	429
Total non-current other financial liabilities	**6,948**	**13,313**
Liabilities for derivative financial instruments [1]	**1,144**	4,476
European Governments refundable advances [2]	**364**	730
Liabilities to related companies	**334**	116
Others	**343**	439
Total current other financial liabilities	**2,185**	**5,761**
Total	**9,133**	**19,074**
thereof other financial liabilities due within 1 year	***2,125***	*5,761*

(1) See "– Note 35: Information about Financial Instruments".

(2) Refundable advances from European Governments are provided to Airbus 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 improved by € +11,162 million to € +1,293 million (2016: € -9,869 million) as a result of the devaluation of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The European Government refundable advances decreased by € -1,169 million to € 5,901 million (2016: € 7,070 million), primarily related to the update of the valuation of refundable advances from European Governments on A380 programme to reflect the revised commercial outlook of the programme and current status of discussions with Nations on RLI agreements restructuring. The corresponding impact is recorded in the financial result (see "– Note 14: Total Finance Costs").

24. Other Assets and Other Liabilities

Other Assets

	31 December	
(In € million)	**2017**	2016
Prepaid expenses	**2,210**	2,265
Others	**86**	93
Total non-current other assets	**2,295**	**2,358**
Value added tax claims	**1,892**	1,589
Prepaid expenses	**639**	552
Others	**376**	435
Total current other assets	**2,907**	**2,576**
Total	**5,202**	**4,934**

Other Liabilities

	31 December	
(In € million)	**2017**	2016
Customer advance payments	**16,659**	15,714
Others	**531**	565
Total non-current other liabilities	**17,190**	**16,279**
Customer advance payments [(1)]	**25,284**	24,115
Tax liabilities (excluding income tax)	**1,397**	1,047
Others	**2,512**	2,373
Total current other liabilities	**29,193**	**27,535**
Total	**46,383**	**43,814**
thereof other liabilities due within one year	***28,225***	*26,562*

(1) Of which € 5,449 million (2016: € 6,318 million) relate to construction contracts, mainly in Airbus Defence and Space (2017: € 4,568 million and 2016: € 5,001 million) and Airbus Helicopters (2017: € 895 million and 2016: € 1,317 million).

25. Sales Financing Transactions

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

On-balance sheet transactions where Airbus Commercial Aircraft is lessor are classified as operating leases, finance leases and loans, inventory 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 18: Property, Plant and Equipment”). Rental income from operating leases is recorded as revenues 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, revenues 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) Inventory – 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 inventory held for resale if there is no subsequent lease agreement in force (see “– Note 20: Inventories”).

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

(i) Backstop commitments are guarantees by Airbus Commercial Aircraft, 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 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 Commercial Aircraft 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 2029. It is management policy that the present value of the guarantee given does not exceed 10% of the sales price of the aircraft.

    As of 31 December 2017, the nominal value of asset value guarantees provided to beneficiaries amounts to € 722 million (2016: € 836 million), excluding € 30 million (2016: € 51 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 provisions recognised for asset value risks of € 519 million (2016: € 580 million) (see “– Note 22: Provisions, Contingent Assets and Contingent Liabilities”).

(iii) Operating head-lease commitments – Airbus has entered into head-lease sub-lease transactions in which it acts as a lessee under an operating head-lease and lessor under the sub-lease. Airbus' customer financing exposure to operating head-lease commitments is determined as the present value of the future head-lease payments. There was no net exposure for such leases as of 31 December 2017 and 2016.

Exposure — In terms of risk management, Airbus 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 and the net present value of head-lease commitments, (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 Airbus' 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$ 1.7 billion (€ 1.4 billion) (2016: US$ 1.8 billion (€ 1.7 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. Impairment allowances are recognised for finance leases and loans when their carrying amounts exceed 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 records 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, Airbus benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

Airbus endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of an structured entity. Apart from investor interest protection, interposing an 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 Airbus acts as a lender to such structured entities, it may take the role of the senior lender or the provider of subordinated loan. Airbus 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 2017 the carrying amount of its loans from aircraft financing amounts to € 695 million (2016: € 732 million). This amount also represents Airbus' 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 revenues, and the **future minimum lease payments** (undiscounted) **from investments in finance leases** to be received in settlement of the outstanding receivable at 31 December 2017 are as follows:

(In € million)	Aircraft under operating lease	Finance lease receivable [(1)]
Not later than 1 year	16	59
Later than 1 year and not later than 5 years	42	21
Later than 5 years	0	0
31 December 2017	**58**	**80**

(1) Includes € 4 million of unearned finance income.

Off-Balance Sheet Commitments

Operating head-lease commitments comprise operating lease payments due by Airbus Commercial Aircraft as lessee under head-lease transactions. As of 31 December 2017 and as of 31 December 2016, the scheduled payments owed under sales financing head-leases are as follows:

	31 December	
(In € million)	**2017**	2016
Not later than 1 year	**28**	52
Later than 1 year and not later than 5 years	**16**	48
Later than 5 years	**0**	0
Total aircraft lease commitments [(1)]	**44**	**100**
thereof commitments where the transaction has been sold to third parties	**(44)**	(100)
Total aircraft lease commitments where Airbus bears the risk (not discounted)	**0**	**0**

(1) Backed by sublease income from customers with an amount of € 40 million in 2017 (2016: € 75 million).

Financing Liabilities

Financing liabilities from sales financing transactions are mainly based on variable interest rates (see "– Note 34.3: 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)	**2017**	2016
Loans	**29**	45
Liabilities to financial institutions	**0**	0
Total sales financing liabilities	**29**	**45**

Customer Financing Cash Flow

Direct customer financing cash flows amounted to € -100 million in 2017 (2016: € -252 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 2017 and 2016 are as follows:

	31 December 2017			31 December 2016		
(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Total	Airbus Commercial Aircraft	Airbus Helicopters	Total
Operating leases [1]	**107**	**34**	**141**	169	44	213
Finance leases and loans	**839**	**97**	**936**	1,094	54	1,148
Inventory	**149**	**0**	**149**	208	0	208
Other investments	**25**	**0**	**25**	28	0	28
On-balance sheet customer financing	**1,120**	**131**	**1,251**	**1,499**	**98**	**1,597**
Off-balance sheet customer financing	**144**	**4**	**148**	182	21	203
Non-recourse transactions on balance sheet	**0**	**0**	**0**	(109)	0	(109)
Gross customer financing exposure	**1,264**	**135**	**1,399**	**1,572**	**119**	**1,691**
Collateral values	**(953)**	**(64)**	**(1,017)**	(1,157)	(60)	(1,217)
Net exposure	**311**	**71**	**382**	**415**	**59**	**474**
Operating leases	**(68)**	**(21)**	**(89)**	(89)	(9)	(98)
Finance leases and loans	**(115)**	**(50)**	**(166)**	(158)	(50)	(208)
On-balance sheet commitments - inventories	**(119)**	**0**	**(119)**	(154)	0	(154)
Off-balance sheet commitments - provisions [2]	**(8)**	**0**	**(8)**	(14)	0	(14)
Asset Impairment and provisions	**(311)**	**(71)**	**(382)**	**(415)**	**(59)**	**(474)**

(1) For 2017 and 2016, depreciation amounts to € 11 million and € 12 million respectively and related accumulated depreciation is € 53 million and € 84 million respectively.

(2) See "– Note 22: Provisions, Contingent Assets and Contingent Liabilities".

2.6 Employees Costs and Benefits

26. Number of Employees

	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other / HQ	**Consolidated**
31 December 2017	74,542	20,108	32,171	126,821	2,621	**129,442**
31 December 2016	73,852	22,507	34,397	130,756	3,026	**133,782**

27. Personnel Expenses

(In € million)	**2017**	2016
Wages, salaries and social contributions	**12,629**	12,595
Net periodic pension cost (see Note 29.1)	**511**	533
Total	**13,140**	**13,128**

28. Personnel-Related Provisions

Several German Airbus 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 2017	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	**Balance at 31 December 2017**
Restructuring measures / pre-retirement part-time work	365	(1)	0	92	(3)	(91)	(16)	**346**
Other personnel charges	655	(3)	2	321	25	(297)	(30)	**673**
Total	**1,020**	**(4)**	**2**	**413**	**22**	**(388)**	**(46)**	**1,019**

A restructuring provision associated with the re-organisation of Airbus of € 160 million was recorded at year-end 2016, following the communication of the plan to the employees and the European Works Council in November 2016. The French social plan was agreed between Airbus and the works council in June 2017. The German social plan was agreed between Airbus and the works councils in September 2017, however the reconciliation of interest is still under discussion.

In Airbus Helicopters, the restructuring plan launched in 2016 was signed by the three representative trade unions and validated by the Work Administration Agency (DIRECCTE) in March 2017.

29. Post-Employment Benefits

	31 December	
(In € million)	**2017**	2016
Provisions for retirement plans	**7,127**	7,749
Provisions for deferred compensation	**1,234**	907
Retirement plans and similar obligations	**8,361**	**8,656**

29.1 Provisions for Retirement Plans

When Airbus employees retire, they receive indemnities as stipulated in retirement agreements, in accordance with regulations and practices of the countries in which Airbus 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 salaries* (“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 obligations.

Germany — Airbus 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.

Parts of the pension obligation in Germany are funded by assets invested in specific funding vehicles. Besides a relief fund *(“Unterstützungskasse”)*, Airbus 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 Airbus 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 Airbus companies 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, Airbus 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. Airbus’ 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 Airbus 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, Airbus 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, Airbus 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 Airbus 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. Airbus considers the likelihood of this event as remote. However, for the Main Scheme Airbus considers that its obligation is in principle limited to that related to its section.

Risks

The DBO exposes Airbus 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 DBO 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 will continue, 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. A fixed interest rate has been agreed for the deferred compensation plan P3, which is financed by the employees.

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

The weighted-average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December 2017 are as follows:

	Pension plans in							
	Germany		France		UK		Participation in BAE Systems Pension Scheme (UK)	
(Rate in %)	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Discount rate	**1.7**	1.7	**1.7**	1.9	**2.5**	2.7	**2.5**	2.6
Rate of compensation increase	**2.8**	2.75	**2.5**	2.5	**2.6**	2.6	**2.6**	2.6
Rate of pension increase	**1.5**	1.7	**- / 1.7**	- / 1.7	**3.0**	3.0	**2.9**	3.1
Inflation rate	**1.5**	1.7	**1.7**	1.7	**3.1**	3.1	**3.1**	3.1

For Germany and France, Airbus 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.

Rates for pension payment increases are derived from the respective inflation rate for the plan.

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.

For the calculation of the German pension obligation, the “2005 G” mortality tables (generation tables) as developed by Professor Dr. Klaus Heubeck are applied. For the UK schemes, the Self-Administered Pensions S2 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 DBO is set out below:

(In € million)	DBO Pension plans of Airbus	DBO Participation in BAE Systems Pension Scheme in the UK	DBO Total	Plan assets Pension plans of Airbus	Plan assets Participation in BAE Systems Pension Scheme in the UK	Plan assets Total	**Total provisions**
Balance as of 1 January 2016	**10,392**	**3,447**	**13,839**	**(4,431)**	**(2,541)**	**(6,972)**	**6,867**
Service cost	316	63	379	0	0	0	379
Interest cost and income	251	119	370	(126)	(90)	(216)	154
Settlements	(4)	0	(4)	0	0	0	(4)
Remeasurements: Actuarial (gains) and losses arising							
- from changes in demographic assumptions	6	0	6	0	0	0	6
- from changes in financial assumptions	1,027	786	1,813	0	0	0	1,813
- from changes in experience adjustments	158	0	158	0	0	0	158
- from plan assets	0	0	0	(179)	(296)	(475)	(475)
Change in consolidation, transfers and others	(530)	2	(528)	44	0	44	(484)
Benefits paid	(348)	(79)	(427)	132	79	211	(216)
Contributions by employer and other plan participants	0	0	0	(104)	(167)	(271)	(271)
Foreign currency translation adjustment	(164)	(530)	(694)	133	383	516	(178)
Balance as of 31 December 2016	**11,104**	**3,808**	**14,912**	**(4,531)**	**(2,632)**	**(7,163)**	**7,749**
Service cost	348	81	429	0	0	0	429
Interest cost and income	195	97	292	(92)	(67)	(159)	133
Past service cost	(51)	0	(51)	0	0	0	(51)
Remeasurements: Actuarial (gains) and losses arising							
- from changes in demographic assumptions	308	(160)	148	0	0	0	148
- from changes in financial assumptions	(51)	48	(3)	0	0	0	(3)
- from changes in experience adjustments	(9)	(83)	(92)	0	0	0	(92)
- from plan assets	0	0	0	(210)	(169)	(379)	(379)
Change in consolidation, transfers and others	(136)	4	(132)	50	0	50	(82)
Benefits paid	(368)	(92)	(460)	137	92	229	(231)
Contributions by employer and other plan participants	0	0	0	(300)	(152)	(452)	(452)
Foreign currency translation adjustment	(41)	(132)	(173)	35	96	131	(42)
Balance as of 31 December 2017	**11,299**	**3,571**	**14,870**	**(4,911)**	**(2,832)**	**(7,743)**	**7,127**

The funding of the plans is as follows:

	31 December			
	2017		2016	
(In € million)	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	**1,563**	**0**	1,577	0
Funded pension plans (partial)	**13,307**	**(7,743)**	13,335	(7,163)
Total	**14,870**	**(7,743)**	**14,912**	**(7,163)**

In 2017, contributions in the amount of € 300 million (2016: € 104 million) are made into the pension plans of Airbus, mainly relating to the Contractual Trust Arrangement of € 187 million (2016: € 0 million), the Airbus UK scheme for € 77 million (2016: € 50 million) and the relief fund in Germany for € 35 million (2016: € 50 million).

Contributions of approximately € 350 million are expected to be made in 2018.

The weighted average duration of the DBO for retirement plans and deferred compensation is 17 years at 31 December 2017 (31 December 2016: 16 years).

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	49%	6%	45%
France	99%	0%	1%
UK	57%	16%	27%
Participation in BAE Systems	73%	14%	13%

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 2017:

	Change in actuarial assumptions	Impact on DBO	
		Change as of 31 December **2017**	2016
Present value of the obligation		**16,232**	15,930
Discount rate	Increase by 0.5%-point	**(1,228)**	(1,197)
	Decrease by 0.5%-point	**1,359**	1,322
Rate of compensation increase	Increase by 0.25%-point	**111**	106
	Decrease by 0.25%-point	**(196)**	(279)
Rate of pension increase	Increase by 0.25%-point	**283**	342
	Decrease by 0.25%-point	**(356)**	(486)
Life expectancy	Increase by 1 year	**369**	287
	Reduction by 1 year	**(455)**	(461)

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.

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

(In € million)	**2017** Quoted prices	Unquoted prices	Total	2016 Quoted prices	Unquoted prices	Total
Equity securities						
Europe	**1,157**	**3**	**1,160**	1,112	0	1,112
Rest of the world	**511**	**48**	**559**	5	0	5
Emerging markets	**281**	**0**	**281**	248	0	248
Global	**1,188**	**0**	**1,188**	1,474	0	1,474
Bonds						
Corporates	**1,250**	**591**	**1,841**	1,877	0	1,877
Governments	**1,310**	**74**	**1,384**	1,464	0	1,464
Pooled investment vehicles	**16**	**280**	**296**	17	288	305
Commodities	**115**	**0**	**115**	161	0	161
Hedge funds	**332**	**196**	**528**	236	0	236
Derivatives	**0**	**(54)**	**(54)**	0	(60)	(60)
Property	**92**	**284**	**376**	337	3	340
Cash and money market funds	**43**	**0**	**43**	62	0	62
Others	**216**	**(40)**	**176**	209	(142)	67
Balance as of 31 December	**6,511**	**1,382**	**7,893**	**7,202**	**89**	**7,291**

The majority of funded plans apply broadly an asset-liability matching framework. The strategic asset allocation ("SAA") 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 2017 consists of fixed income instruments, equities, although Airbus also invests in property, commodities and hedge funds. Airbus 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 SAA.

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

(In € million)	Pension plans of Airbus Germany	France	UK	Others	Participation in BAE Systems Pension Scheme in the UK	Total
DBO	8,464	1,640	1,195	0	3,571	14,870
Plan assets	3,861	17	1,033	0	2,832	7,743
Recognised as of 31 December 2017	**4,603**	**1,623**	**162**	**0**	**739**	**7,127**
DBO	8,227	1,643	1,223	11	3,808	14,912
Plan assets	3,514	17	1,000	0	2,632	7,163
Recognised as of 31 December 2016	**4,713**	**1,626**	**223**	**11**	**1,176**	**7,749**

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2017 amounted to € 677 million (2016: € 703 million).

29.2 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:

	2017			2016		
(In € million)	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance as of 1 January	**1,018**	**(128)**	**890**	**841**	**(113)**	**728**
Service cost	**135**	**0**	**135**	118	0	118
Interest cost	**17**	**0**	**17**	20	0	20
Interest income	**0**	**(3)**	**(3)**	0	(3)	(3)
Remeasurements: Actuarial (gains) and losses arising						
- from changes in financial assumptions	**5**	**0**	**5**	0	0	0
- from changes in demographic assumptions	**174**	**0**	**174**	0	0	0
- from changes in experience adjustments	**34**	**0**	**34**	35	0	35
- from plan assets	**0**	**(3)**	**(3)**	91	2	93
Transfer and change in consolidation	**(13)**	**(1)**	**(14)**	(80)	1	(79)
Benefits paid	**(8)**	**0**	**(8)**	(7)	0	(7)
Contributions	**0**	**(15)**	**(15)**	0	(15)	(15)
Balance as of 31 December	**1,362**	**(150)**	**1,212**	**1,018**	**(128)**	**890**

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	31 December	
(In € million)	**2017**	2016
Provisions	**1,234**	907
Non-current and current other assets	**22**	17
Total	**1,212**	**890**

The portion of the obligation, which is not protected by the pension guarantee association or Pensions-Sicherungs Verein in case of an insolvency of Airbus companies concerned, is covered by securities. Trust agreements between the trust and the participating companies stipulate that some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115% leading to an overfunding of the related part of the obligation. These amounts are recognised as other non-current and current assets.

30. Share-Based Payment

Share-based compensation — Until 2015, Airbus operated a ***Performance and Restricted Unit Plan*** or ***LTIP*** which qualifies as a ***cash-settled share-based payment plan*** under IFRS 2. The grant of so-called "units" will not physically be settled in shares (except with regard to Airbus Executive Committee Members). For details of the conversion of some Performance Units granted to Executive Committee Members into equity-settled plans please see "– Note 31.1: Remuneration-Executive Committee".

Since 2016, Airbus 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.

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, Airbus offers its employees the Company 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 Airbus' Consolidated Income Statements with a corresponding increase in equity.

30.1 LTIP

In the years 2012 to 2015, the Board of Directors of Airbus approved the granting of LTIP Performance and Restricted Units. In 2017 and 2016, it approved a LTIP Performance Units and Performance Share Plan.

Airbus hedges the share price risk inherent in the cash-settled LTIP units by entering equity swaps where the reference price is based on the Airbus share price. To the extent that LTIP units are hedged, compensation expense recognised for these units will effectively reflect the reference price fixed under the equity swaps.

In 2017, compensation expense for LTIPs including the effect of the equity swaps amounted to € 88 million (2016: € 35 million).

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2017):

Expected vesting date *(In € per unit / share granted)*	Fair value of Performance Units and Shares
May 2021 - Performance Shares	76.76
May 2021 - Performance Units	74.83
May 2022 - Performance Units	71.69

As of 31 December 2017, provisions of € 183 million (2016: € 179 million) relating to LTIP have been recognised.

The lifetime of the Performance and Restricted Units as well as Performance Shares is contractually fixed (see the description of the respective tranche). 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 (€ 83.00 as of 31 December 2017) and the lifetime of the units.

As of 31 December 2016, all SOPs were expired. No stock options were exercised in 2017.

The principal characteristics of the LTIPs as at 31 December 2017 are summarised below:

	LTIP 2012		LTIP 2013		LTIP 2014		LTIP 2015		LTIP 2016		LTIP 2017	
Grant date[1]	13 December 2012		17 December 2013		13 November 2014		29 October 2015		25 October 2016		30 October 2017	
	Performance and Restricted Unit Plan								Performance Plan			
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares
Number of units granted[2]	2,123,892	621,980	1,245,052	359,060	1,114,962	291,420	926,398	240,972	615,792	621,198	421,638	425,702
Number of units outstanding	0	0	440,591	167,386	834,572	275,070	890,248	238,386	605,789	611,225	421,638	425,702
Total number of eligible beneficiaries	1,797		1,709		1,621		1,564		1,671		1,601	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by an Airbus company at the respective vesting dates and, in the case of Performance Units and Shares, upon achievement of mid-term business performance. Vesting schedule is made up of four payments (from the LTIP 2014 onwards two payments) over two years.											
Share price per unit limited at the vesting dates to[3]	€55.66		€92.34		€94.90		€112.62		€105.34	-	€147.62	-
Vesting dates	25% each: in May 2016 in November 2016 in May 2017 in November 2017		25% each: in May 2017 in November 2017 25% each expected: in May 2018 in November 2018		50% each expected: in June 2018 in June 2019		50% each expected: in June 2019 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
Number of vested units	1,744,570	568,495	424,425	169,254	5,580	2,060	2,606	0	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 Airbus) 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) 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 € 27.83 (for LTIP 2012), € 46.17 (for LTIP 2013), € 47.45 (for LTIP 2014), € 56.31 (for LTIP 2015), € 52.67 (for LTIP 2016) and € 73.81 (for LTIP 2017).

30.2 ESOP

In 2017 and 2016, 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 (2017: 5, 20, 30, 50 or 100 shares; 2016: 4, 6, 10, 19, 38 or 76 shares). Airbus matched each fixed number of shares with a number of the Company free shares based on a determined ratio (2017: 4, 8, 10, 13 and 25 free shares, respectively; 2016: 4, 5, 7, 11, 16 and 25 free shares, respectively). During a custody period of at least one year or, provided the purchase took place in the context of a mutual fund (regular savings plan), of five years, employees are restricted from selling the shares, but have the right to receive all dividends paid. Employees who directly purchased the Company 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 21 February 2017 (2016: 23 February 2016) and amounted to € 67.24 (2016: € 55.41). Investing through the mutual fund led to a price which corresponds to the average price at the Paris stock exchange during the 20 trading days immediately preceding 21 February 2017 (2016: 23 February 2016), resulting in a price of € 64.44 (2016: € 54.31). The Company issued and sold 411,710 ordinary shares (2016: 485,048) with a nominal value of € 1.00 each. Compensation expense (excluding social security contributions) of € 28 million (2016: € 27 million) was recognised in connection with ESOP.

31. Remuneration

31.1 Remuneration – Executive Committee

Airbus' 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)	**2017**	2016
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	**25.4**	28.4
Post-employment benefit costs	**6.9**	6.1
Share-based remuneration ("LTIP award", including associated hedge result)	**8.8**	20.5
Termination benefits	**10.9**	0
Other benefits	**0.6**	0.7
Social charges	**7.1**	5.5
Non-Executive Board Members		
Short-term benefits (including social charges)	**2.1**	1.8
Total expense recognised	**61.8**	**63.0**

For additional information regarding the remuneration of Executive Committee Members (including the CEO), please also refer to the "Report of the Board of Directors –4.4: Remuneration Report".

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 2017 for Executive Committee Members based on estimated performance achievement at year-end was € 12.5 million (2016: € 13.4 million).

Post-Employment and Other Long-Term Benefits

The post-employment and other long-term benefits of the Executive Committee, including the CEO, amounted to € 78.6 million at 31 December 2017 (2016: € 85.5 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.

Share-Based Remuneration (“LTIP Award”)

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

In 2017, the Members of the Executive Committee were granted 53,108 Performance Units (2016: 85,386) and 57,172 Performance Shares (2016: 91,082) for LTIP 2017, the respective fair value of these Performance Units and Shares at the respective grant dates was € 8.76 million (2016: € 8.76 million). Fair value of outstanding LTIP balances at the end of 2017 for all Executive Committee Members was € 17.4 million (2016: € 14.5 million). The total number of outstanding Performance and Restricted Units amounted to 384,867 at 31 December 2017 (2016: 467,245), 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 Airbus, 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.

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

	LTIP 2012 (1)	**LTIP 2013 (2)**	**LTIP 2014 (3)**	**LTIP 2015**
Total number of units granted	245,551	152,250	159,448	189,476
Number of cash-settled units	177,933	103,725	117,816	143,217
Number of equity-settled units	67,718	48,525	41,632	46,259
Date of conversion	28 February 2013	28 February 2014	28 February 2015	28 February 2016
Share price at date of conversion	€ 39.70	€ 53.39	€ 55.33	€ 59.78

(1) Based on performance achievement of 89% for Performance Units under LTIP 2012.

(2) Based on performance achievement of 75% for Performance Units under LTIP 2013.

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

As of 31 December 2016, all SOPs were expired. No stock options were exercised in 2017.

Termination Benefits

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 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’ company cars and accident insurance. There were no outstanding liabilities at 31 December 2017 or 2016, respectively.

31.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2017 and 2016, can be summarised as follows:

(In €)	**2017**	2016
Base salary	**1,500,000**	1,500,000
Annual variable pay	**1,912,500**	2,062,000
Post-employment benefits costs	**1,175,057**	1,075,888
Share-based remuneration ("LTIP award") (1)	**1,551,666**	1,528,732
Termination benefits	**2,900,000**	0
Other benefits	**63,250**	71,755
Social charges	**12,012**	11,668

(1) 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 30: Share-Based Payment"). The pay-out from vested cash-settled LTIP in 2017 was € 1,372,048 (2016: € 2,279,689).

Annual Variable Pay

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

Post-Employment Benefit Costs

Post-employment benefit costs relate to the aggregated amount of current service and interest costs as well as interest costs on employee's contribution to the defined benefit plan.

For the CEO, the pension DBO including deferred compensation amounted to € 21,176,042 as of 31 December 2017 (2016: € 21,251,788), whilst the amount of current service and interest cost related to his pension promise accounted for in the fiscal year 2017 represented an expense of € 1,175,057 (2016: € 1,075,888). This amount has been accrued in the Consolidated Financial Statements.

Share-Based Remuneration

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

Granted date	LTIP 2012	LTIP 2013	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017
Performance Units and Shares	50,300	30,300	29,500	24,862	28,480	20,324
Revaluation	89%	75%	80%	100%	100%	100%
Performance Units and Shares revaluated	44,768	22,724	23,600	24,862	28,480	20,324
Vested in 2017						
- in cash	16,788	5,682	0	0	0	0
- in shares	11,192	0	0	0	0	0
Outstanding 2017						
- in cash	0	5,682	17,700	18,646	14,240	10,162
- in shares	0	11,360	5,900	6,216	14,240	10,162
Vesting schedule						
Cash-settled units	For vesting dates, please see "-Note 30.1: LTIP"					
Equity-settled units	November 2017	November 2018	June 2019	July 2020	May 2020	May 2021

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

The fair value of outstanding LTIP balances at the end of 2017 for the CEO was € 2,732,125 (2016: € 2,353,453).

Termination Benefits

Termination benefits include non-compete indemnity estimated according to art. 74 *et seq.* of the German Commercial Code ("BGB") based on 2017 data.

For more details, please see "– Note 31.1: Remuneration-Executive Committee", section "Termination benefits".

Other Benefits

The CEO is entitled to accident insurance coverage and a company car. In 2017, the total amount expensed was € 63,250 (2016: € 71,755). Airbus has not provided any loans to / advances to / guarantees on behalf of the CEO.

31.3 Remuneration – Board of Directors

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

	2017			2016		
(In €)	Fixum (1)	Attendance fees (2)	Total	Fixum (1)	Attendance fees (2)	Total
Non-Executive Board Members						
Denis Ranque (3)	**204,293**	**80,000**	**284,293**	180,000	60,000	240,000
Ralph D. Crosby Jr.	**94,420**	**80,000**	**174,420**	80,000	50,000	130,000
Lord Drayson(4)	**72,100**	**60,000**	**132,100**	0	0	0
Catherine Guillouard (3)	**120,000**	**70,000**	**190,000**	67,582	40,000	107,582
Hans-Peter Keitel	**100,000**	**60,000**	**160,000**	100,000	60,000	160,000
Hermann-Josef Lamberti(3)	**135,707**	**70,000**	**205,707**	110,000	55,000	165,000
Lakshmi N. Mittal(5)	**28,176**	**10,000**	**38,176**	100,000	50,000	150,000
María Amparo Moraleda Martínez (3)	**120,000**	**80,000**	**200,000**	100,000	55,000	155,000
Claudia Nemat	**100,000**	**70,000**	**170,000**	67,582	30,000	97,582
Sir John Parker(3)	**135,707**	**65,000**	**200,707**	110,000	60,000	170,000
Carlos Tavares	**80,000**	**65,000**	**145,000**	54,066	20,000	74,066
Jean-Claude Trichet	**100,000**	**80,000**	**180,000**	100,000	60,000	160,000
Former Non-Executive Board Members						
Manfred Bischoff	**0**	**0**	**0**	26,154	20,000	46,154
Anne Lauvergeon	**0**	**0**	**0**	32,692	10,000	42,692
Michel Pébereau	**0**	**0**	**0**	32,692	20,000	52,692
Total	**1,290,403**	**790,000**	**2,080,403**	**1,160,768**	**590,000**	**1,750,768**

(1) The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the Remuneration, Nomination and Governance Committee of the Board of Directors (the "RNGC") and/or the E&C Committee. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017. The fixum for the year 2016 was paid 50% in December 2015 and 50% in July 2016.

(2) The attendance fees related to the first semester 2017 were paid in July 2017; those related to the second semester 2017 are paid in January 2018. The attendance fees related to the first semester 2016 were paid in July 2016; those related to the second semester 2016 were paid in January 2017.

(3) Member of the E&C Committee and its predecessor, the temporary Ad-Hoc Committee, since the beginning of 2017.

(4) Member of the Company Board of Directors and the RNGC as of 12 April 2017.

(5) No Member of the Company Board of Directors as of 12 April 2017.

A dedicated Ethics and Compliance Committee ("E&C Committee") has been established in 2017 and its related remuneration paid in 2017. Please refer to the "Report of the Board of Directors – 4.1.3 Board Committees"

2.7 Capital Structure and Financial Instruments

32. Total Equity

32.1 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)	**2017**	2016
Issued as at 1 January	**772,912,869**	**785,344,784**
Issued for ESOP	**1,643,193**	1,474,716
Issued for exercised options	**0**	224,500
Cancelled	**0**	(14,131,131)
Issued as at 31 December	**774,556,062**	**772,912,869**
Treasury shares as at 31 December	**(129,525)**	(184,170)
Outstanding as at 31 December	**774,426,537**	**772,728,699**

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 € 13,348 million (2016: € 3,657 million) representing an increase of € +9,691 million. This is due to an increase in other comprehensive income of € +7,738 million, principally related to the mark to market revaluation of the hedge portfolio of € +7,757 million, and a net income for the period of € +2,873 million, partly offset by a dividend payment of € -1,043 million (€ 1.35 per share).

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of € 1,643,193 (in 2016: € 1,474,716) in compliance with the implemented ESOPs. In 2016, it also included € 224,500 related to the last SOP.

Share premium mainly results from contributions in kind in the course of the creation of Airbus, 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 profit for the period and the changes in other comprehensive income from remeasurements of the defined benefit pension plans net of tax which amounts to € 151 million in 2017 (2016: € -1,383 million), and cash dividend payments to Airbus SE shareholders.

On 12 April 2017, the Shareholders' General Meeting decided to distribute a gross amount of € 1.35 per share, which was paid on 20 April 2017. For the fiscal year 2017, Airbus' Board of Directors proposes a cash distribution payment of € 1.50 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2017, the number of treasury stock held by the Company decreased to 129,525 compared to 184,170 as of 31 December 2016. No shares were sold back to the market nor cancelled (in 2016: 14,131,131 shares).

On 12 April 2017, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2018, 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 30: 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 34.3: 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 12 April 2017, 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 not exceeding 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.

32.2 Non-Controlling Interests

The non-controlling interests ("NCI") from non-wholly owned subsidiaries increased to € 3 million as of 31 December 2017 (2016: € -5 million). These NCI do not have a material interest in Airbus' activities and cash flows. This increase is mainly related to the mark to market revaluation of the hedge portfolio.

Subsidiaries with NCI that are material to their stand-alone financial information are:

	Alestis Aerospace S.L.		PFW Aerospace GmbH	
Principal place of business	La Rinconada (Spain)		Speyer (Germany)	
	2017	2016	**2017**	2016
Ownership interest held by NCI	**38.09%**	38.09%	**25.10%**	25.10%
NCI (in € million)	**(18)**	(34)	**(8)**	(28)
Profit (loss) allocated to NCI (in € million)	**(2)**	(5)	**4**	0

33. Capital Management

Airbus 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 Airbus. Consequently, operating liquidity is of great importance.

As part of its capital management, it is one of Airbus' objectives to maintain a strong credit rating by institutional rating agencies. This enables Airbus 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. Airbus 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 Ratings (unsolicited)	A-	Stable	F-2

Airbus' stand-alone ratings reflect the strong backlog providing revenue visibility and Airbus Commercial Aircraft leading market position, Airbus' 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 Airbus' exposure to structural currency risk.

In accordance with Airbus' 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 Airbus Commercial Aircraft's position as a solid counterparty for its customers and suppliers.

Among other indicators, Airbus 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.

Airbus uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by Airbus, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for Airbus 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 Airbus' Capital Employed exceed the Company's cost of capital. Value can be measured by comparing RoCE to the WACC. A three year plan (previously: five 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's long-term aspiration is to reach the first quartile of RoCE performance among our aerospace and defence peers.

Airbus also monitors the level of dividends paid to its shareholders.

The Company generally satisfies its obligations arising from share-based payment plans by issuing new shares. In order to avoid any dilution of its current shareholders out of these share-based payment plans, the Company performs share buybacks and cancels its own shares 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.

34. Net Cash

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

	31 December	
(In € million)	**2017**	2016
Cash and cash equivalents	**12,016**	10,143
Current securities	**1,627**	1,551
Non-current securities	**10,944**	9,897
Gross cash position	**24,587**	**21,591**
Short-term financing liabilities	**(2,212)**	(1,687)
Long-term financing liabilities	**(8,984)**	(8,791)
Total	**13,391**	**11,113**

The **net cash** position on 31 December 2017 amounted to € 13,391 million (2016: € 11,113 million), with a gross cash position of € 24,587 million (2016: € 21,591 million).

Derivative instruments recognised on Airbus' Statement of Financial Position consist of (i) instruments that are entered into as hedges of Airbus' 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.

34.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2017**	2016
Bank account and petty cash	**3,672**	3,100
Short-term securities (at fair value through profit and loss)	**6,256**	5,513
Short-term securities (available-for-sale)	**2,085**	1,535
Others	**8**	12
Total cash and cash equivalents	**12,021**	**10,160**
Recognised in disposal groups classified as held for sale	**5**	17
Recognised in cash and cash equivalents	**12,016**	**10,143**

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.

34.2 Securities

The majority of Airbus' securities consists of debt securities and are classified as available-for-sale financial assets and carried at their fair values (see "– Note 35.2: Carrying Amounts and Fair Values of Financial Instruments" for more details on how available-for-sale assets are accounted for).

Airbus' security portfolio amounts to € 12,571 million and € 11,448 million as of 31 December 2017 and 2016, respectively. The security portfolio contains a **non-current portion** of available-for-sale-securities of € 10,944 million (in 2016: € 9,897 million), and a **current portion** of available-for-sale-securities of € 1,627 million (in 2016: € 1,551 million).

Included in the securities portfolio as of 31 December 2017 and 2016, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,023 million nominal value; comparably in 2016: € 10,736 million) or floating rate coupons (€ 376 million nominal value; comparably in 2016: € 360 million), foreign currency funds of hedge funds (€ 5 million nominal value; 2016: € 6 million) and foreign currency funds of fixed income funds (€ 11 million fair value; 2016: € 0 million).

When Airbus 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 2017, securities for an amount of € 67 million were pledged as collateral for borrowings from banks (2016: €0).

34.3 Financing Liabilities

Financing liabilities comprise obligations towards financial institutions, issued corporate bonds, deposits made by customers of Airbus Group 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, Airbus 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 Airbus' Statement of Financial Position.

(In € million)	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	**Total**
Bonds	512	1,524	5,027	**7,063**
Liabilities to financial institutions	290	1,397	325	**2,012**
Loans	144	200	185	**529**
Liabilities from finance leases	17	139	186	**342**
Others (1)	1,249	1	0	**1,250**
31 December 2017	**2,212**	**3,261**	**5,723**	**11,196**
Bonds	0	1,581	4,432	6,013
Liabilities to financial institutions	351	1,573	499	2,423
Loans	332	213	118	663
Liabilities from finance leases	15	154	220	389
Others (1)	989	1	0	990
31 December 2016	**1,687**	**3,522**	**5,269**	**10,478**

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, increased by € 193 million to € 8,984 million (2016: € 8,791 million). The increase in long-term financing liabilities is mainly related to the issuance of bonds. The increase in bonds corresponds principally to bonds issued on 10 April 2017, for a total of US$ 1.5 billion, with a 10 year-maturity tranche of US$ 750 million at fixed coupon of 3.150%, and a 30 year-maturity tranche of US$ 750 million at a fixed coupon of 3.950%.

Short-term financing liabilities increased by € 525 million to € 2,212 million (2016: € 1,687 million). The increase in short-term financing liabilities is mainly related to the reclassification of an EMTN bond from long-term to short term due to maturity in September 2018.

The Company has issued several euro-denominated **bonds** under its Euro Medium Term Note programme ("EMTN") and three stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. It has also issued a euro-denominated convertible bond and euro-denominated exchangeable bonds into Dassault Aviation shares. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and 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. As of 31 December 2017, there were no outstanding amounts under this programme. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016. The commercial paper issuance activity was limited in the course of the year 2017.

Financing liabilities include outstanding debt of € 46 million (2016: € 85 million) relating to a loan Airbus Commercial Aircraft received from Air 2 US in 1999 by way of a reinvestment note amounting to US$ 800 million, bearing a fixed interest rate of 9.88%, and other liabilities related to sales financing (see "– Note 25: Sales Financing Transactions").

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

	Principal amount	Carrying amount (In € million) 31 December						
	(In million)	**2017**	2016	Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features
EMTN 15 years	€ 500	**512**	533	Sep 2003	5.50%	5.58%	Sep 2018	Interest rate swapped into 3M Euribor +1.72%
US$ Bond 10 years	US$ 1,000	**818**	940	Apr 2013	2.70%	2.73%	Apr 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€ 1,000	**1,031**	1,052	Apr 2014	2.375%	2.394%	Apr 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€ 500	**517**	526	Oct 2014	2.125%	2.194%	Oct 2029	Interest rate swapped into 3M Euribor +0.84%
Convertible bond 7 years	€ 500	**470**	464	Jul 2015	0.00%	1.386%	Jul 2022	Convertible into Airbus SE shares at €99.54 per share Issued at 102%
EMTN 10 years	€ 600	**584**	589	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€ 900	**851**	861	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Exchangeable bonds 5 years	€ 1,078	**1,054**	1,048	Jun 2016	0.00%	0.333%	Jun 2021	Exchangeable into Dassault Aviation shares Issued at 103.75%
US$ Bond 10 years	US$ 750	**615**	0	Apr 2017	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0,87%
US$ Bond 30 years	US$ 750	**611**	0	Apr 2017	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1,61%
Bonds		**7,063**	**6,013**					
DBJ 10 years	US$ 300	**250**	285	Jan 2011	3M US-Libor +1.15%		Jan 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US$ 721	**343**	488	Aug 2011	3M US-Libor +0.85%		Aug 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US$ 406	**339**	385	Feb 2013	3M US-Libor +0.93%		Feb 2020	
EIB 10 years	US$ 627	**516**	591	Dec 2014	2.52%	2.52%	Dec 2024	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US$ 320	**267**	304	Dec 2015	6M US-Libor +0.559%		Dec 2025	
Others		**297**	370					
Liabilities to financial institutions		**2,012**	**2,423**					

Reconciliation of liabilities arising from financing liabilities

(In € million)	Balance at 1 January 2017	Cash flow	Non-cash movements: Changes in scope	Non-cash movements: Foreign exchange movement	Non-cash movements: Others (1)	**Balance at 31 December 2017**
Bonds	6,013	1,316	0	(266)	0	**7,063**
Liabilities to financial institutions	2,423	(199)	0	(212)	0	**2,012**
Loans	663	(118)	(11)	5	(10)	**529**
Liabilities from finance leases	389	7	(27)	(27)	0	**342**
Others	990	278	(44)	26	0	**1,250**
31 December 2017	**10,478**	**1,284**	**(82)**	**(474)**	**(10)**	**11,196**

(1) Included in "other assets and liabilities and others" in the Cash Flow Statement.

The aggregate amounts of financing liabilities maturing during the next five years and thereafter as of 31 December 2017 and as of 31 December 2016, are as follows:

(In € million)	31 December **2017**	31 December 2016
1 year	**2,212**	1,687
2 years	**249**	829
3 years	**621**	271
4 years	**1,719**	703
5 years	**672**	1,719
Thereafter	**5,723**	5,269
Total	**11,196**	**10,478**

35. Information about Financial Instruments

35.1 Financial Risk Management

By the nature of its activities, Airbus 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. Airbus' overall financial risk management activities focus on mitigating unpredictable financial market risks and their potential adverse effects on Airbus' operational and financial performance.

The financial risk management of Airbus is generally carried out by the Treasury department at Airbus under policies approved by the Board of Directors or by the Chief Financial Officer. The identification, evaluation and hedging of the financial risks is in the joint responsibility of an established specific Foreign Exchange Committee, including the Airbus Divisions.

Airbus 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.

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

Most of Airbus' revenue is denominated in US dollars, while a major portion of its costs is incurred in euro and to some extent in other foreign currencies. Consequently, to the extent that Airbus 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 Airbus 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, Airbus typically hedges firmly committed sales in US dollars using a "first flow approach". Under that approach, the foreign currency derivatives Airbus enters into are designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implies that only a portion of the expected monthly customer payments made at aircraft delivery are hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations have 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 exceed the portion designated as being hedged in that month. However, if the monthly US dollar cash inflows received at aircraft delivery are expected to be, or prove to be, less than the notional amount of the hedges maturing in that month, the excess portion of the hedge notional will disqualify for hedge accounting and the related fair value changes or settlement gains or losses will be recognized in financial result.

Airbus 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, Airbus hedges in 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, Airbus may use rollover strategies, usually involving foreign exchange swaps.

For all foreign currency hedges of future cash flows which qualify for hedge accounting under IAS 39, Airbus 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 other comprehensive income) and (ii) recognising the effect of the hedge in profit or loss when the hedged cash flows affect profit or loss.

In addition, Airbus 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. Airbus 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, Airbus 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, Airbus primarily uses foreign currency forwards, foreign currency options and to a minor extent non-derivative financial instruments.

Airbus 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, Airbus 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 — Airbus uses an asset-liability management approach with the objective to limit its interest rate risk. Airbus 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 Airbus' variable rate debt (see "– Note 34.3: Financing Liabilities") are accounted for under the cash flow hedge model, and related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

Airbus 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, Airbus has an Asset 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.

Commodity price risk — Airbus is exposed to risk relating to fluctuations in the prices of commodities used in the supply chain. Airbus 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, Airbus applies cash flow hedge accounting to the derivative instruments.

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

Sensitivities of market risks — The approach used to measure and control market risk exposure within Airbus' financial instrument portfolio is, amongst other key indicators, the value-at-risk ("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 Airbus 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. Deriving the statistical behaviour of the markets relevant for the portfolio out of market data from the previous two years and observed interdependencies between different markets and prices, the model generates a wide range of potential future scenarios for market price movements.

Airbus' VaR computation includes Airbus' financial debt, short-term and long-term investments, foreign currency forwards, swaps and options, commodity contracts, finance lease receivables and liabilities, foreign currency trade payables and receivables, including intra-Airbus payables and receivables affecting Airbus profit and loss.

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 5-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.

Airbus 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, Airbus' 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 Airbus' Asset Management Committee.

A summary of the VaR position of Airbus' financial instruments portfolio at 31 December 2017 and 2016 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Commodity price VaR	Interest rate VaR
31 December 2017					
Foreign exchange hedges for forecast transactions or firm commitments	872	0	913	0	89
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	74	17	70	0	21
Finance lease receivables and liabilities, foreign currency trade payables and receivables	49	0	24	0	42
Commodity contracts	2	0	0	2	0
Equity swaps	2	2	0	0	0
Diversification effect	(182)	(3)	(157)	0	(68)
All financial instruments	**817**	**16**	**850**	**2**	**84**
31 December 2016					
Foreign exchange hedges for forecast transactions or firm commitments	1,778	0	1,873	0	180
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	80	57	58	0	19
Finance lease receivables and liabilities, foreign currency trade payables and receivables	81	0	15	0	86
Commodity contracts	4	0	1	4	0
Equity swaps	4	4	0	0	0
Diversification effect	(276)	(1)	(127)	0	(70)
All financial instruments	**1,671**	**60**	**1,820**	**4**	**215**

The decrease of the total VaR as of 31 December 2017 is mainly attributable to a strong decrease of market volatilities, in particular foreign exchange volatility €/US$, in combination with a decrease in net foreign exchange portfolio, in comparison to year-end 2016. Airbus 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 € 872 million (2016: € 1,778 million) cannot be considered as a risk indicator for Airbus in the economic sense.

Liquidity Risk

Airbus' policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. Airbus manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€ 3.0 billion as of 31 December 2017 and 2016) in addition to the cash inflow generated by its operating business. Airbus continues to keep within the asset portfolio the focus on low counterparty risk. In addition, Airbus 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 Airbus' funding costs and limit its financial flexibility.

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

The contractual maturities of Airbus' 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 2017								
Non-derivative financial liabilities	(25,600)	(27,519)	(16,403)	(516)	(836)	(1,952)	(882)	(6,930)
Derivative financial liabilities	(2,271)	(3,063)	(1,167)	(835)	(184)	(3)	(2)	(872)
Total	**(27,871)**	**(30,582)**	**(17,570)**	**(1,351)**	**(1,020)**	**(1,955)**	**(884)**	**(7,802)**
31 December 2016								
Non-derivative financial liabilities	(23,994)	(25,293)	(14,903)	(1,268)	(458)	(886)	(1,923)	(5,856)
Derivative financial liabilities	(11,020)	(13,891)	(4,568)	(3,772)	(2,897)	(1,511)	(831)	(312)
Total	**(35,014)**	**(39,184)**	**(19,471)**	**(5,040)**	**(3,355)**	**(2,397)**	**(2,754)**	**(6,168)**

Non-derivative financial liabilities included in the table above comprise financing liabilities and finance lease liabilities as presented in the tables of "– Note 35.2: 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 € -5,901 million at 31 December 2017 (€ 7,070 million at 31 December 2016) are not included.

Credit Risk

Airbus 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, Airbus 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 on Airbus level. In order to ensure sufficient diversification, a credit limit system is used.

Airbus monitors the performance of the individual financial instruments and the impact of the 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 Commercial Aircraft and ATR, Airbus may agree to participate in the financing of customers, on a case-by-case basis, directly or through guarantees provided to third parties. In determining the amount and terms of the financing transaction, Airbus 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' (such as airlines') creditworthiness by way of internal risk pricing methods.

The following table breaks down the gross carrying amount of loans and receivables including finance leases, separately showing those that are impaired, renegotiated or past due:

(In € million)	Not past due	Renegociated / not past due / not impaired	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	Total
31 December 2017									
Customer financing	93	0	767	3	3	3	63	3	935
Trade receivables	7,285	226	151	228	163	144	64	369	8,630
Others	2,214	0	254	65	145	31	180	228	3,117
Total	**9,592**	**226**	**1,172**	**296**	**311**	**178**	**307**	**600**	**12,682**
31 December 2016									
Customer financing	846	0	209	4	3	86	0	0	1,148
Trade receivables	6,057	27	198	1,049	235	285	78	437	8,366
Others	1,313	9	285	111	48	182	22	466	2,436
Total	**8,216**	**36**	**692**	**1,164**	**286**	**553**	**100**	**903**	**11,950**

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.

At year-end there was no indication that any financial assets carried at fair value were impaired.

35.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments — Airbus' financial assets mainly consist in cash, short to medium-term deposits and securities. Airbus' 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. Airbus classifies its financial assets in the following three categories: (i) at fair value through profit or loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Their classification is determined by management when first recognised and depends on the purpose for their acquisition.

Within Airbus, all investments in entities which do not qualify for consolidation or equity-method accounting are classified as non-current available-for-sale financial assets. They are included in the line other investments and other long-term financial assets in the Consolidated Statement of Financial Position.

Available-for-sale financial assets — Financial assets classified as available-for-sale are accounted for at fair value. Changes in their fair value other than impairment losses and foreign exchange gains and losses on monetary items are recognised directly within AOCI. As soon as such financial assets are sold or otherwise disposed of, or are determined to be impaired, the cumulative gain or loss previously recognised in equity is recorded as part of other income (other expense) from investments in the Consolidated Income Statement for the period. Interest earned on the investment is presented as interest income in the Consolidated Income Statement using the effective interest method. Dividends earned on investment are recognised as other income (other expense) from investments in the Consolidated Income Statement when the right to the payment has been established.

In case of the impairment of debt instruments classified as available-for-sale, interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded in financial result. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Consolidated Income Statement, the impairment loss is reversed through the Consolidated Income Statement.

Financial assets at fair value through profit or loss — Within Airbus, only derivatives not designated as hedges are categorised as held for trading. Furthermore, Airbus designates certain financial assets (such as investments in accumulated money market funds) at fair value through profit or loss at initial recognition if they are part of a group of financial assets that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Airbus 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 IAS 39 measurement category as of 31 December 2017:

	Fair value through profit or loss		Fair value for hedge relations	Available - for-sale	Loans and receivables and financial liabilities at amortised cost		Other	**Financial instruments total**	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised Cost	Fair value		**Book Value**	**Fair value**
Assets									
Other investments and other long-term financial assets									
- Equity investments [(1) (2)]	0	0	0	2,441	0	0	0	**2,441**	**2,441**
- Customer financings [(3)]	0	0	0	0	695	704	76	**770**	**780**
- Other loans	0	0	0	0	1,521	1,521	0	**1,521**	**1,521**
Trade receivables	0	0	0	0	8,358	8,358	0	**8,358**	**8,358**
Other financial assets									
- Derivative instruments [(6)]	66	0	3,498	0	0	0	0	**3,564**	**3,564**
- Non-derivative	0	0	0	0	1,395	1,395	0	**1,395**	**1,395**
Securities	0	0	0	12,571	0	0	0	**12,571**	**12,571**
Cash and cash equivalents	0	6,256	0	2,085	3,675	3,675	0	**12,016**	**12,016**
Total	**66**	**6,256**	**3,498**	**17,097**	**15,644**	**15,653**	**76**	**42,637**	**42,646**
Liabilities									
Financing liabilities									
- Issued bonds and - commercial papers	0	0	0	0	(7,063)	(7,363)	0	**(7,063)**	**(7,363)**
- Liabilities to banks and other	0	0	0	0	(3,791)	(3,838)	0	**(3,791)**	**(3,838)**
- Finance lease liabilities [(4)]	0	0	0	0	0	0	(342)	**(342)**	**(342)**
Other financial liabilities									
- Derivative instruments [(7)]	(239)	0	(2,032)	0	0	0	0	**(2,271)**	**(2,271)**
- European Governments - refundable advances [(5)]	0	0	0	0	(5,901)	(5,901)	0	**(5,901)**	**(5,901)**
- Other	0	0	0	0	(961)	(961)	0	**(961)**	**(961)**
Trade liabilities	0	0	0	0	(13,444)	(13,444)	0	**(13,444)**	**(13,444)**
Total	**(239)**	**0**	**(2,032)**	**0**	**(31,160)**	**(31,507)**	**(342)**	**(33,772)**	**(34,119)**

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

(2) For certain equity investments for which price quotes are not available the range of reasonable fair value estimates determined based on valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2017, the aggregate carrying amount of these investments was € 478 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as "other".

(4) 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 IAS 39. They are therefore assigned to the category "other".

(5) The European Governments refundable advances of € -5,901 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.

(6) This includes credit value adjustments of € -36 million, of which € -36 million is recognised in OCI.

(7) This includes debit value adjustments of € 18 million, of which € 18 million is recognised in OCI.

The following table presents the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2016:

	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale	Loans and receivables and financial liabilities at amortised cost		Other	Financial instruments total	
(In € million)	Held for trading	Designated	Fair value	Fair value	Amortised Cost	Fair value		Book Value	Fair value
Assets									
Other investments and other long-term financial assets									
- Equity investments (1) (2)	0	0	0	2,091	0	0	0	**2,091**	**2,091**
- Customer financings (3)	0	0	0	0	732	735	207	**939**	**942**
- Other loans	0	0	0	0	1,147	1,147	0	**1,147**	**1,147**
Trade receivables	0	0	0	0	8,101	8,101	0	**8,101**	**8,101**
Other financial assets									
- Derivative instruments (6)	66	0	1,085	0	0	0	0	**1,151**	**1,151**
- Non-derivative instruments	0	0	0	0	1,082	1,082	0	**1,082**	**1,082**
Securities	0	0	0	11,448	0	0	0	**11,448**	**11,448**
Cash and cash equivalents	0	5,513	0	1,535	3,095	3,095	0	**10,143**	**10,143**
Total	**66**	**5,513**	**1,085**	**15,074**	**14,157**	**14,160**	**207**	**36,102**	**36,105**
Liabilities									
Financing liabilities									
- Issued bonds and - commercial papers	0	0	0	0	(6,013)	(6,217)	0	**(6,013)**	**(6,217)**
- Liabilities to banks and other	0	0	0	0	(4,076)	(4,086)	0	**(4,076)**	**(4,086)**
- Finance lease liabilities (4)	0	0	0	0	0	0	(389)	**(389)**	**(389)**
Other financial liabilities									
- Derivative instruments (7)	(349)	0	(10,671)	0	0	0	0	**(11,020)**	**(11,020)**
- European Governments - refundable advances (5)	0	0	0	0	(7,070)	(7,070)	0	**(7,070)**	**(7,070)**
- Other	(38)	0	0	0	(946)	(946)	0	**(984)**	**(984)**
Trade liabilities	0	0	0	0	(12,532)	(12,532)	0	**(12,532)**	**(12,532)**
Total	**(387)**	**0**	**(10,671)**	**0**	**(30,637)**	**(30,851)**	**(389)**	**(42,084)**	**(42,298)**

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

(2) For certain equity investments for which price quotes are not available the range of reasonable fair value estimates determined based on valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. These equity investments are accounted for at cost, and their fair values as reported in the table above equal their carrying amounts. As of 31 December 2016, the aggregate carrying amount of these investments was € 494 million.

(3) This includes finance lease receivables, which are not assigned to an IAS 39 measurement category, but reported as “other”.

(4) 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 IAS 39. They are therefore assigned to the category “other”.

(5) The European Governments refundable advances of € 7,070 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.

(6) This includes credit value adjustments of € -44 million, of which € -42 million is recognised in OCI.

(7) This includes debit value adjustments of € 87 million, of which € 82 million is recognised in OCI.

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, Airbus 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 Airbus' net exposure to the credit risk of each particular counterparty and fair value information is provided to Airbus' key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;
- Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from Airbus' 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, fair values are determined mostly based on Level 1 and Level 2 input and to a minor extent on Level 3 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 2017 and 2016, respectively:

	31 December 2017				31 December 2016			
(In € million)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	**1,963**	**0**	**0**	**1,963**	1,597	0	0	1,597
Derivative instruments	**0**	**3,564**	**0**	**3,564**	0	1,148	3	1,151
Securities	**10,995**	**1,576**	**0**	**12,571**	11,446	2	0	11,448
Cash equivalents	**6,256**	**2,085**	**0**	**8,341**	5,513	1,535	0	7,048
Total	**19,214**	**7,225**	**0**	**26,439**	**18,556**	**2,685**	**3**	**21,244**
Financial liabilities measured at fair value								
Derivative instruments	**0**	**(2,214)**	**(3)**	**(2,217)**	0	(11,009)	(11)	(11,020)
Other liabilities	**0**	**0**	**0**	**0**	0	0	(38)	(38)
Total	**0**	**(2,214)**	**(3)**	**(2,217)**	**0**	**(11,009)**	**(49)**	**(11,058)**

The amounts of Level 3 instruments are not disclosed as they are negligible, as are any changes in fair value that may arise from changing the inputs.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2017 and 2016, respectively, are designated at fair value through profit or loss:

(In € million)	Nominal amount at initial recognition as of 31 December 2017	Fair value as of 31 December 2017	Nominal amount at initial recognition as of 31 December 2016	Fair value as of 31 December 2016
Designated at fair value through profit				
- Money market funds	**6,256**	**6,256**	5,513	5,513
- Foreign currency funds of hedge funds	**5**	**0**	6	0
- Foreign currency funds of fixed income funds	**11**	**11**	0	0
Total	**6,272**	**6,267**	**5,519**	**5,513**

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

In addition, Airbus 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 € 1,186 million (2016: € 705 million).

Fair Value Measurement Method

The methods Airbus uses to measure fair values are as follows:

Equity instruments — The fair values of listed equity instruments reflect quoted market prices. For certain unquoted equity instruments the range of reasonable fair value estimates determined using valuation techniques is significant and the probabilities of the various estimates within the range cannot be reasonably assessed. Those instruments are measured at cost, and their carrying amounts used as a proxy for fair value.

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

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 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 Airbus has with each counterparty. Except for certain short-term commodity contracts discussed 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 issued 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, carrying amounts are used as reasonable fair value approximations for trade liabilities and current other financial liabilities.

The following interest rate curves are used in the determination of the fair value in respect of the derivative financial instruments as of 31 December 2017 and 2016:

	31 December					
	2017	2016	**2017**	2016	**2017**	2016
(Rate in %)	€		US$		£	
6 months	**(0.32)**	(0.26)	**1.91**	1.31	**0.87**	0.60
1 year	**(0.22)**	(0.11)	**2.18**	1.62	**0.90**	0.81
5 years	**0.25**	(0.06)	**2.24**	1.97	**1.03**	0.87
10 years	**0.81**	0.54	**2.39**	2.35	**1.27**	1.23

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

Airbus 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 Airbus' financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2017 and 31 December 2016, respectively:

Derivative Instruments		Gross amounts recognised set off	Net amounts presented in the	Related amounts not set off in the statement of financial position		
(In € million)	Gross amounts recognised	in the financial statements	financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2017						
Financial assets	3,564	0	3,564	(2,068)	44	1,540
Financial liabilities	2,271	0	2,271	(2,068)	0	203
31 December 2016						
Financial assets	1,363	0	1,363	(1,358)	0	5
Financial liabilities	10,879	0	10,879	(1,358)	0	9,521

35.4 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 Airbus 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	6 years	7 years	> 7 years	**Total**
31 December 2017									
Net forward sales contracts	18,568	16,596	14,007	8,304	2,356	241	0	0	**60,072**
Foreign exchange options									
Purchased US-dollar put options	0	3,160	3,865	1,401	0	0	0	0	**8,426**
Written US-dollar put options	0	3,160	3,865	1,401	0	0	0	0	**8,426**
Foreign exchange swap contracts	(610)	0	0	0	0	0	0	0	**(610)**
31 December 2016									
Net forward sales contracts	22,482	22,163	18,416	11,839	5,496	1,291	(11)	0	**81,676**
Foreign exchange options									
Purchased US-dollar put options	0	0	4,079	4,198	740	0	0	0	**9,017**
Written US-dollar put options	0	0	4,079	4,198	740	0	0	0	**9,017**
Foreign exchange swap contracts	(104)	0	0	0	0	0	0	0	**(104)**

In 2017, new hedge contracts of US$ 12.4 billion (2016: US$ 20.4 billion) were added at an average rate of 1.22 US$/€ (2016: 1.19 US$/€).

As of 31 December 2017, the total hedge portfolio with maturities up to 2023 amounts to US$ 88.7 billion (2016: US$ 102.4 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 2023 amounts to 1.23 US$/€ (2016: 1.25 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.43 US$/£ (2016: 1.49 US$/£).

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 2017									
Interest rate contracts	1,101	950	7	675	4	1,001	1,523	2,000	**7,261**
Interest rate future contracts	0	0	0	0	0	0	0	0	**0**
31 December 2016									
Interest rate contracts	36	1,096	989	7	988	4	949	3,771	**7,840**
Interest rate future contracts	130	0	0	0	0	0	0	0	**130**

Please also see "– Note 34.3: 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 2017	53	21	13	8	2	**97**
31 December 2016	270	41	16	6	0	**333**

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 2017	52	49	19	0	0	**120**
31 December 2016	76	52	49	19	0	**196**

35.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The development of the foreign exchange rate hedging instruments recognised in AOCI as of 31 December 2017 and 2016 is as follows:

(In € million)	Equity attributable to equity owners of the parent	NCI	**Total**
1 January 2016	**(6,864)**	**(49)**	**(6,913)**
Unrealised gains and losses from valuations, gross	(3,462)	(50)	(3,512)
Transferred to profit or loss for the period, gross	3,199	66	3,265
Changes in fair values of hedging instruments recorded in AOCI, gross	(263)	16	(247)
Changes in fair values of hedging instruments recorded in AOCI, tax	12	(8)	4
Share of change in faire values of hedging instruments from investments accounted for under the equity method, net	(38)	0	(38)
Changes in fair values of hedging instruments recorded in AOCI, net	(289)	8	(281)
31 December 2016	**(7,153)**	**(41)**	**(7,194)**
Unrealised gains and losses from valuations, gross	8,143	2	8,145
Transferred to profit or loss for the period, gross	2,447	44	2,491
Changes in fair values of hedging instruments recorded in AOCI, gross	10,590	46	10,636
Changes in fair values of hedging instruments recorded in AOCI, tax	(2,843)	(11)	(2,854)
Share of change in faire values of hedging instruments from investments accounted for under the equity method, net	10	0	10
Changes in fair values of hedging instruments recorded in AOCI, net	7,757	35	7,792
31 December 2017	**604**	**(6)**	**598**

In 2017, an amount of € 2,491 million (2016: € -3,265 million) was reclassified from equity mainly to revenues resulting from matured cash flow hedges in an amount of US$ 25.3 billion (2016: US$ 23.5 billion) of hedges matured at an average rate of 1.29 US$/€ (2016: 1.32 US$/€).

In addition, a loss of € -96 million was recognised in the profit of the period in 2017 (2016: loss of € -27 million) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of € 91 million (2016: gain of € 12 million) attributable to the hedged risk was recognised in the profit of the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments as of 31 December 2017 and 2016, respectively, are as follows:

	2017		2016	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts - cash flow hedges	**3,386**	**(1,888)**	946	(10,398)
Foreign currency contracts - not designated in a hedge relationship	**1**	**(5)**	4	(25)
Interest rate contracts - cash flow hedges	**0**	**(11)**	0	(26)
Interest rate contracts - fair value hedges	**69**	**(84)**	122	(38)
Interest rate contracts - not designated in a hedge relationship	**31**	**(35)**	59	(71)
Commodity contracts - cash flow hedges	**5**	**(9)**	2	(27)
Commodity contracts - not designated in a hedge relationship	**2**	**(3)**	3	(34)
Equity swaps - cash flow hedges	**38**	**0**	15	(3)
Embedded bonds conversion option - not designated in a hedge relationship	**0**	**(196)**	0	(122)
Embedded foreign currency derivatives - cash flow hedges	**0**	**(39)**	0	(179)
Embedded foreign currency derivatives - not designated in a hedge relationship	**32**	**(1)**	0	(97)
Total	**3,564**	**(2,271)**	**1,151**	**(11,020)**

35.6 Net Gains or Net Losses

Airbus' net gains or net losses recognised in profit or loss in 2017 and 2016, respectively, are as follows:

(In € million)	**2017**	2016
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	**603**	(451)
Designated on initial recognition	**(214)**	50
Available-for-sale financial assets	**(268)**	15
Loans and receivables [(1)]	**(17)**	(160)
Financial liabilities measured at amortised cost	**1,303**	(249)

(1) Contain among others impairment losses.

Net gains of € 398 million (2016: net losses of € -50 million) are recognised directly in equity relating to available-for-sale financial assets.

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

35.7 Impairment Losses

The following impairment losses on financial assets are recognised in profit or loss in 2017 and 2016, respectively:

(In € million)	**2017**	2016
Other investments and other long-term financial assets:		
Equity instruments	**(64)**	(12)
Customer financing	**(10)**	(123)
Other loans	**(4)**	(10)
Trade receivables	**(54)**	(34)
Total	**(132)**	**(179)**

2.8 Other Notes

36. 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.

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

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

WTO

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

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

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

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

GPT

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

Eurofighter Austria

In March 2012, the Munich public prosecutor, following a request by the Vienna public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust against 16 individuals, among them former and current employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH. The proceedings are related to the sale of Eurofighter aircraft to the Republic of Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct an independent fact finding review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the Munich public prosecution. Airbus has been fully cooperating with the authorities. Regarding the question of deductibility of payments made in connection with the Eurofighter Austria campaign, Airbus Defence and Space GmbH settled with the tax authorities in August 2016.

Since the result of the investigation by the public prosecution did not confirm the allegations of bribery, the Munich public prosecution (Staatsanwaltschaft München I), in order to conclude the investigation in relation to Airbus Defence and Space GmbH (Company), has issued an administrative penalty notice against the Company under the German Act on Administrative Misdemeanours ("Ordnungswidrigkeitengesetz"). The notice is based on the allegation of a negligent breach of supervisory duties of non-identified members of the Company's former management. The notice alleges that former management negligently failed to ensure proper internal controls that would have prevented employees from making payments to business partners without proven documented services. The monetary penalty amounts to € 81.25 million (comprising an administrative fine of € 250,000 and € 81 million of disgorged profits). The notice explicitly acknowledges the efforts of Airbus and its management to successfully install a completely overhauled compliance system starting in 2012. The Company, supported by its direct group shareholders and ultimately Airbus SE, has waived any remedy against the notice.

In February 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 an investigation against Airbus Defence and Space GmbH, Eurofighter Jagdflugzeug GmbH and former and current employees of the two entities. On 18 September 2017, Airbus filed a submission to the Vienna Public Prosecutor in response to the allegations of deception in the procurement of Eurofighter combat aircraft made by the Austrian Defence Minister. Airbus is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF

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

ECA Financing

The financing environment remains healthy. A high level of liquidity is available in the market at good rates for our attractive portfolio of products. In 2017, ECA financing had not been made available to Airbus but Airbus and the ECAs have now reached agreement on a process under which we are able to resume making applications for ECA-backed financing for our customers across the group on a case-by-case basis. We anticipate a return to ECA cover in 2018 for a limited number of transactions while the level of appetite for commercial financing remains high.

Other Investigations

In 2014, the Munich public prosecutor investigated potential irregularities in relation to a project of Tesat-Spacecom GmbH & Co. KG. The Munich public prosecutor launched administrative proceedings in the context of this investigation against Tesat-Spacecom GmbH & Co. KG. In January 2018, the public prosecutor terminated the investigation against individuals as well as the administrative fine procedure relating to Tesat-Spacecom GmbH & Co. KG.

In April 2017, the Munich public prosecutor terminated administrative proceedings against former EADS Deutschland GmbH (now Airbus Defence and Space GmbH) with regard to border security projects in Romania and Saudi Arabia. Already in 2016, corresponding investigations against former and current employees of the EADS group were terminated.

Airbus is cooperating with a judicial investigation in France related to Kazakhstan. Airbus is not a party to these proceedings. Airbus is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

Following a review of its US regulatory compliance procedures, Airbus has discovered and subsequently informed relevant US authorities of its findings concerning certain inaccuracies in filings made with the US Department of State pursuant to Part 130 of the US International Traffic in Arms Regulations (“ITAR") (a US export control regulation). Airbus is cooperating with the US authorities. Airbus is unable to reasonably estimate the time it may take to resolve the matter or the amount or range of potential loss, penalty or other government action, if any, that may be incurred in connection with this matter.

Review of Business Partner Relationships

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

Commercial Disputes

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

In the course of another commercial dispute, Airbus received a statement of claim 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. Airbus is studying the award and considering the next steps.

37. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2017 have been charged by EY to the Company, its subsidiaries and other consolidated entities:

(In € thousand)	**2017**	2016
Audit of the financial statements	**9,238**	6,578
Other audit engagements	**810**	1,226
Tax services	**690**	362
Other non-audit services	**5,416**	6,870
Total	**16,154**	**15,036**

Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of € 5 million in 2017 (2016: € 4 million).

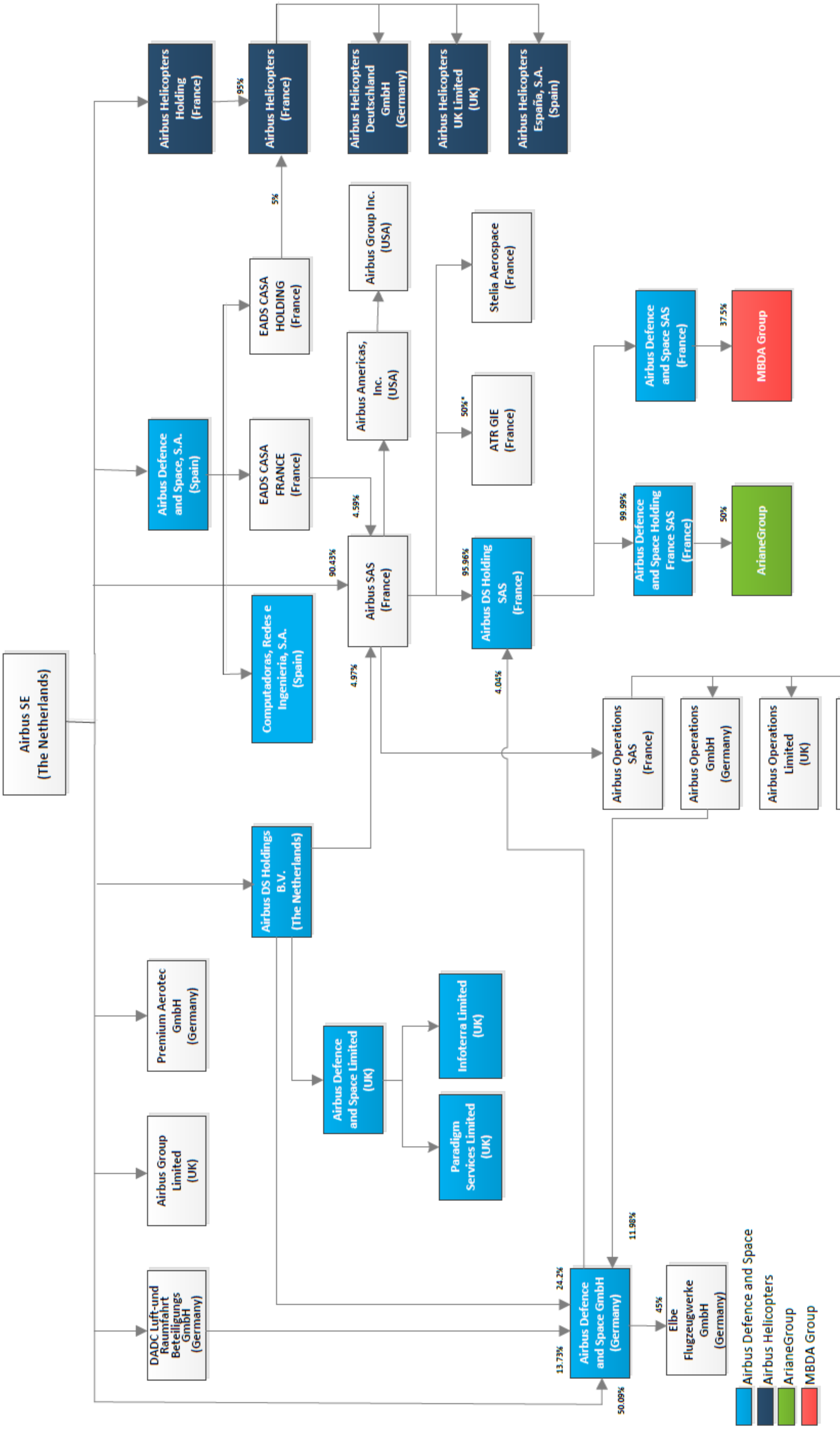
38. Events after the Reporting Date

On 7 February 2018, Airbus has signed a DOI with the A400M Launch Customer Nations (Germany, France, United Kingdom, Spain, Turkey, Belgium, Luxemburg) defining the framework for achieving a mutually binding contract amendment later in the year (see "– Note 10: Revenues and Gross Margin").

On 9 February 2018, in line with standard airworthiness procedures the European Aviation Safety Agency ("EASA") has published an Emergency Airworthiness Directive following an issue identified on a limited number of recently delivered Pratt & Whitney ("P&W") GTF engines. Airbus has informed its affected A320neo family customers and operators. Airbus and P&W are investigating the root cause of this recent finding.

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 14 February 2018.

2.9 Appendix “Simplified Airbus Structure



*Airbus owns indirectly 50% of ATR GIE, 50% of ArianeGroup and 37.50% of MBDA Group.
Subsidiaries held with no indication of ownership percentage are 100% owned.
Legal forms are indicated for information purposes and are not always part of the legal name.

Financial **Statements**

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Airbus SE

IFRS Company Financial Statements

IFRS Company Income Statements for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Operating income		656	531
Operating expenses		(841)	(652)
Income from investments		614	4,021
Loss on disposal of investments		0	0
Total operating result	4	**428**	**3,900**
Interest income		211	204
Interest expense		(159)	(120)
Other financial result		(1)	(101)
Total financial result	5	**51**	**(17)**
Profit before income taxes		**479**	**3,883**
Tax income (expense)	6	3	17
Profit for the period		**483**	**3,900**

IFRS Company Statements of Comprehensive Income for the years ended 31 December 2017 and 2016

(In € million)	**2017**	2016
Profit for the period	**483**	**3,900**
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Net change in fair value of available-for-sale financial assets	101	138
Net change in fair value of cash flow hedges	5	4
Other comprehensive income, net of tax	**106**	**142**
Total comprehensive income of the period	**589**	**4,042**

IFRS Company Statements of Financial Position at 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Assets			
Non-current assets			
Investments in subsidiaries and associates	7	16,576	15,545
Long-term financial assets	8	3,040	3,296
Non-current other financial assets	8	3,898	7,602
Non-current other assets		5	4
Deferred tax assets	6	22	9
Non-current securities	12	10,812	9,670
		34,353	**36,126**
Current assets			
Trade receivables		31	102
Current other financial assets	8	1,938	4,656
Current accounts Group companies	8	9,581	9,409
Current other assets		124	160
Current securities	12	1,576	1,489
Cash and cash equivalents	12	11,038	8,758
		24,288	**24,574**
Total assets		**58,641**	**60,700**

Equity and liabilities			
Stockholders' equity	11		
Issued and paid up capital		775	773
Share premium		2,826	2,745
Retained earnings		6,903	4,014
Legal reserves		459	353
Treasury shares		(2)	(3)
Result of the year		483	3,900
		11,444	**11,782**
Non-current liabilities			
Long-term financing liabilities	12	8,106	7,934
Non-current financial liabilities	8	4,055	7,698
		12,161	**15,632**
Current liabilities			
Short-term financing liabilities	12	660	98
Current accounts Group companies	8	32,127	28,557
Current financial liabilities	8	1,730	4,543
Current other liabilities		519	88
		35,036	**33,286**
Total equity and liabilities		**58,641**	**60,700**

IFRS Company Statements of Cash Flows
for the years ended 31 December 2017 and 2016

(In € million)	Note	**2017**	2016
Profit for the period (Net income)		**483**	**3,900**
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Interest income		(211)	(204)
Interest expense		159	120
Interest received		209	231
Interest paid		(209)	(104)
Income tax received		0	0
Depreciation and amortisation		0	0
Valuation adjustments		(345)	(102)
Deferred tax (income) expense		(18)	(17)
Change in income tax assets, income tax liabilities and provisions for income tax		12	0
Change in current and non-current provisions		(31)	12
Change in other operating assets and liabilities:		**525**	**(136)**
• Trade receivables		106	(126)
• Trade liabilities		406	(9)
• Other assets and liabilities		13	(1)
Cash provided by (used for) operating activities		**575**	**3,700**
Investments:			
• Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests	7	(260)	(921)
• Payments for long-term financial assets		(327)	(642)
• Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		0	11
• Repayments of other long-term financial assets		164	1,340
Payments for investments in securities		(3,742)	(2,037)
Proceeds from disposals of securities		2,400	2,300
Cash provided by (used for) investing activities		**(1,765)**	**51**
Draw-down in financing liabilities		1,399	2,580
Repayment of financing liabilities		(88)	(1,607)
Change in current accounts Group companies		3,118	(797)
Cash distribution to Airbus SE shareholders		(1,043)	(1,008)
Changes in capital		83	60
Share buyback		1	(736)
Cash (used for) provided by financing activities		**3,470**	**(1,508)**
Effect of foreign exchange rate changes on cash and cash equivalents		0	0
Net increase in cash and cash equivalents		**2,280**	**2,243**
Cash and cash equivalents at beginning of period		**8,758**	**6,515**
Cash and cash equivalents at end of period	**12**	**11,038**	**8,758**

IFRS Company Statements of Changes in Equity for the years ended 31 December 2017 and 2016

				Legal reserves[1]			
	Capital stock	Share premium	Retained earnings	Available-for-sale financial assets	Cash flow hedges	Treasury shares	**Total equity**
Balance at 1 January 2016	**785**	**3,484**	**4,993**	**221**	**(10)**	**(303)**	**9,170**
Profit for the period	0	0	3,900	0	0	0	3,900
Other comprehensive income	0	0	0	138	4	0	142
Total comprehensive income of the period	0	0	3,900	138	4	0	4,042
Capital increase	2	58	0	0	0	0	60
Share-based payments (IFRS 2)	0	0	31	0	0	0	31
Cash distribution to Airbus SE shareholders	0	0	(1,008)	0	0	0	(1,008)
Change in treasury shares	0	0	(2)	0	0	(511)	(513)
Cancellation of treasury shares	(14)	(797)	0	0	0	811	0
Balance at 31 December 2016	**773**	**2,745**	**7,914**	**359**	**(6)**	**(3)**	**11,782**
Profit for the period	0	0	483	0	0	0	483
Other comprehensive income	0	0	0	101	5	0	106
Total comprehensive income of the period	0	0	483	101	5	0	589
Capital increase	2	81	0	0	0	0	83
Share-based payments (IFRS 2)	0	0	32	0	0	0	32
Cash distribution to Airbus SE shareholders	0	0	(1,043)	0	0	0	(1,043)
Change in treasury shares	0	0	0	0	0	1	1
Cancellation of treasury shares	0	0	0	0	0	(0)	0
Balance at 31 December 2017	**775**	**2,826**	**7,386**	**460**	**(1)**	**(2)**	**11,444**

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

4.
Notes to the **IFRS Company Financial Statements**

4.1 Basis of Presentation

1. The Company

The Company's principal activity is acting as a holding and management company for the subsidiaries of **Airbus SE**, the "Company", a listed company in the form of a European Company (Societas Europaea), legally seated in Amsterdam (current registered office at Mendelweg 30, 2333 CS Leiden, The Netherlands) and registered at the Chamber of Commerce in The Hague under number 24288945. The Company has its listings at 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 14 February 2018. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately.

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 Dutch Civil Code.

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, dividend received from investments is 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 11 "Total Equity" to the Company Financial Statements.

The Company Financial Statements have been prepared on a historical cost basis, unless otherwise indicated.

Regarding the application of new, revised or amended IFRS standards issued but not yet applied please refer to Note 2 "Significant accounting policies" of the Group's Consolidated Financial Statements. No material changes is expected in the Company Financial Statements of Airbus SE from the implementation of the new standards. Further information about Share-Based Payments and Employee Stock Ownership Plans (ESOP) is presented in Note 30 and information about Remuneration is presented in Note 31 of the Consolidated Financial Statements.

The information with regard to Capital Management is disclosed in Note 33, further information about Litigation and Claims refers to Note 36 and Events after the Reporting Date are disclosed in Note 38 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.

Use of Estimates and Judgements

The preparation of the Company Financial Statements in conformity with EU-IFRS requires the use of estimates and assumptions. In preparing those financial statements, the 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. Actual results could differ from these estimates.

Key accounting estimates and judgements affecting the assessment and measurement of impairment are included in Note 7 "Investments in Subsidiaries, Associates and Participations" of the Company Financial Statements.

3. Related Party Transactions

Key Management Personnel

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

Intercompany Transactions

A comprehensive exchange of internal services between the subsidiaries of a multinational corporation like Airbus SE is common practice. In its responsibility as holding company to manage its subsidiaries and to assist the business activities conducted by companies of the Airbus Group 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 2017 and 2016:

(In € million)	**Transactions with subsidiaries 2017**	**Transactions with associates 2017**	Transactions with subsidiaries 2016	Transactions with associates 2016
Rendering of services, dividend income and interest income	772	28	4,634	33
Purchases of services, investment charge and interest expenses	(728)	(2)	(736)	(2)
Intercompany receivables due as of 31 December	12.729	87	12.886	83
Intercompany payables due as of 31 December	(35.422)	(1.005)	(32.403)	(666)
Hedge relationships receivable as of 31 December	5.640	0	10.730	0
Hedge relationships payable as of 31 December	5.784	0	(1.344)	0

For further information about granted guarantees to subsidiaries please refer to Note 9 “Commitments and Contingencies” of the Company Financial Statements.

4.2 Company Performance

4. Total Operating Result

(In € million)	**2017**	2016
Operating income	**656**	**531**
Corporate services rendered to Group companies	656	531
Operating expenses	**(841)**	**(652)**
Service fees charged by Group companies	(698)	(596)
Administrative expenses	(143)	(56)
Income from investments	**614**	**4,021**
Dividends received from Group companies	13	4,021
Impairment reversal	601	0
Expense from investments	**0**	**0**
Loss on disposal of investments	0	0
Total operating result	**428**	**3,900**

5. Total Financial Result

(In € million)	**2017**	2016
Interest result[1]	**52**	**84**
Interest income from available-for-sale securities	92	89
Others	(40)	(5)
Other financial result	**(1)**	**(101)**
Option liability exchangeable bond	(19)	(64)
Equity instruments	49	5
Interest rate hedging	(16)	(16)
Financing income (expense)	(8)	3
FX revaluation	(6)	(29)
Total financial result	**51**	**(17)**

(1) In 2017, the total interest income amounts to € 211 million (in 2016: € 204 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 € -159 million (in 2016 : € -120 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

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.

6. Income Tax

The Company is tax registered in the Netherlands. The Company is heading a fiscal unity, which also includes Airbus Group Finance B.V., Airbus DS Holdings 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)	**2017**	2016
Current tax expense	0	0
Deferred tax income (expense)	3	17
Total	**3**	**17**

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

(In € million)	**2017**	2016
Profit before income taxes	479	3,883
* Corporate income tax rate	25%	25%
Expected expense for income taxes	(120)	(971)
Non-taxable income from investments	153	1,005
Option liability exchangeable bond	(5)	(16)
Income from other companies within the fiscal unity	(3)	(6)
Impairment	(12)	0
Other	(10)	5
Reported tax income (expense)	**3**	**17**

The first tranche of tax loss carry forwards (€ 20 million) will expire by the end of 2023.

Deferred income taxes as of 31 December 2017 are related to the following assets and liabilities:

	1 January 2017		Other movements		Movement through income statement	**31 December 2017**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Securities	0	(43)	12	0	0	0	(31)
Financial instruments	0	(1)	(2)	0	(6)	0	(9)
Net operating loss and tax loss carry forwards	53	0	0	0	10	62	0
Deferred tax assets (liabilities) before offsetting	**53**	**(44)**	**10**	**0**	**3**	**62**	**(40)**
Set-off	(44)	44	0	0	0	(40)	40
Net deferred tax assets (liabilities)	**9**	**0**	**10**	**0**	**3**	**22**	**0**

Deferred income taxes as of 31 December 2016 are related to the following assets and liabilities:

	1 January 2016		Other movements		Movement through income statement	**31 December 2016**	
(In € million)	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	**Deferred tax assets**	**Deferred tax liabilities**
Securities	0	(21)	-22	0	0	0	(43)
Financial instruments	0	(3	(1)	0	3	0	(1)
Net operating loss and tax loss carry forwards	39	0	0	0	14	53	0
Deferred tax assets (liabilities) before offsetting	**39**	**(24)**	**(23)**	**0**	**17**	**53**	**(44)**
Set-off	(24)	24	0	0	0	(44)	44
Net deferred tax assets (liabilities)	**15**	**0**	**(23)**	**0**	**17**	**9**	**0**

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

(In € million)	**2017**	2016
Available-for-sale investments	(31)	(43)
Cash flow hedges	0	2
Total	**(31)**	**(41)**

4.3 Operational Assets and Liabilities

7. Investments in Subsidiaries, Associates and Participations

(In € million)	Subsidiaries	Associates	Participations	**Total**
Balance at 1 January 2016	**14,268**	**21**	**232**	**14,521**
Additions	136	0	785	921
Loss on disposal of investments	0	0	0	0
Share-based payments (IFRS 2)	31	0	0	31
Fair value changes through AOCI	0	0	72	72
Balance at 31 December 2016	**14,435**	**21**	**1,089**	**15,545**
Additions	261	0	0	261
Release Impairment	601	0	0	601
Share-based payments (IFRS 2)	32	0	0	32
Fair value changes through AOCI	0	0	137	137
Other adjustments	33	0	(33)	0
Balance at 31 December 2017	**15,362**	**21**	**1,193**	**16,576**

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.

Available-for-sale participations are stated at fair value with changes in fair value recognised in Other Comprehensive Income.

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 extent, if any, of the impairment loss. An investment is impaired if the recoverable amount is lower than the 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 belongs to. 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 convert in 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.

Change of Investments in Subsidiaries

On 27 January 2017, Airbus SE made a further capital contribution of € 100 million into Airbus Group Bank GmbH.

On 16 November 2017, Airbus SE contributed its 100% subsidiary Airbus Group Inc to its subsidiary Airbus SAS for a total amount of € 605 million. In return for this contribution, Airbus SE received additional shares in Airbus SAS for an equivalent amount. The valuation of Airbus Group Inc made for the contribution show a value of the company above the book value, allowing Airbus SE to release the impairment made in 2014 for € 601 million.

On 19 December 2017, Airbus SE internally acquired 2.43% of the shares in Airbus Defense DS Holding BV for a total amount of € 140.3 million.

During the year 2017, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of € 20 million (2016: € 14 million).

On 26 January 2016, Airbus SE made a further capital contribution of € 100 million into Airbus Group Bank GmbH.

On 26 September 2016, Airbus SE made a further capital contribution of € 22 million into Airbus Group Proj B.V., a 100% subsidiary, in the frame of the industrial partnership with OneWeb Ltd. for the design and manufacturing of microsatellites.

On 23 December, 2016, Airbus SE contributed its 100% subsidiary Airbus Group SAS to its subsidiary Airbus SAS for a total amount of € 1,118 million. In return for this contribution Airbus SE received additional shares in Airbus SAS for an equivalent amount.

Change of Investments in Associated Companies and Participations

On 13 September 2016, Airbus SE internally acquired 9.05 % of the shares in Dassault Aviation SA for a total amount of € 785 million. The acquisition of these shares in Dassault Aviation SA is related to the issuance by the company of an exchangeable bond in June 2016 (see Note 12 “Cash, Securities and Financing Liabilities”). After a share cancellation by Dassault Aviation SA on 23 December 2016, reducing its capital by 9.6%, the Company’s stake in Dassault Aviation SA increased to 10.00% of the total shares. Please refer to the list of participations at the Chamber of Commerce.

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2017	2016	Company	Head office
%			
50.90	50.90	Aero Ré S.A.	Bertrange (Luxembourg)
50.10	66.08	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
100.00	97.57	Airbus DS Holdings B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Group Bank GmbH	Munich (Germany)
100.00	100.00	Airbus Group Finance B.V.	Leiden (Netherlands)
0.00	100.00	Airbus Group Inc.	Herndon, VA (USA)
100.00	100.00	Airbus Group Ltd.	London (UK)
100.00	100.00	Airbus Group Proj B.V.	Leiden (Netherlands)
0.00	0.00	Airbus Group S.A.S.	Toulouse (France)
99.00	99.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
100.00	100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
90.26	90.26	Airbus S.A.S.	Toulouse (France)
100.00	100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
9.93	10.00	Dassault Aviation S.A.	Paris (France)
100.00	100.00	Premium Aerotec GmbH	Augsburg (Germany)

Percentages represent share held directly by Airbus SE.

8. Financial Assets and Liabilities

Financial assets and liabilities at 31 December 2017 and 2016 consist of the following:

	31 December	
(In € million)	**2017**	2016
Long-term financial assets	**3,040**	**3,296**
Long-term loans Group companies	3,040	3,296
Long-term loans external	0	0
Non-current other financial assets	**3,898**	**7,602**
Positive fair values of derivative financial instruments	3,898	7,602
Current other financial assets	**1,938**	**4,656**
Positive fair values of derivative financial instruments	1,744	4,551
Current portion long-term loans Group companies	194	105
Current accounts Group companies[(1)]	**(22,546)**	**(19,148)**
Receivables from subsidiaries	9,581	9,409
Liabilities to subsidiaries	(32,127)	(28,557)
Non-current financial liabilities	**(4,055)**	**(7,698)**
Negative fair values of derivative financial instruments	(4,055)	(7,698)
Current financial liabilities	**(1,730)**	**(4,543)**
Negative fair values of derivative financial instruments	(1,730)	(4,543)

(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.

9. Commitments and Contingencies

Off-Balance Sheet Commitments

Airbus SE issued guarantees on behalf of Group companies in the amount of € 7,227 million (2016: € 5,849 million). The commitments of these companies to third parties mainly relate to their operating business as described in Note 18 “Property, Plant and Equipment”, Note 25 “Sales Financing Transactions” and Note 35 “Information about Financial Instruments” of the Consolidated Financial Statements. In addition, the Company has entered into capital contribution commitments with Group companies in the amount of € 54 million (2016: € 54 million).

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 2017, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of US$ 14 million.

4.4 Employees

10. Number of Employees

The average number of the persons employed by the Company in 2017 was 2 (2016: 2).

4.5 Capital Structure and Financial Instruments

11. Total Equity

Airbus Group's shares are ordinary shares with a par value of € 1.00. The following table shows the development of the number of shares outstanding:

(In number of shares)	**2017**	2016
Issued as at 1 January	**772,912,869**	**785,344,784**
Issued for ESOP	1,643,193	1,474,716
Issued for exercised options	0	224,500
Cancelled	0	(14,131,131)
Issued as at 31 December	**774,556,062**	**772,912,869**
Treasury shares as at 31 December	(129,525)	(184,170)
Outstanding as at 31 December	774,426,537	772,728,699
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 of € 0 (in 2016: € 224,500) in compliance with the implemented stock option plans and by employees of € 1.643.193 (in 2016: € 1.474.716) under the Employee Stock Ownership Plans ("ESOP").

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

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

On 12 April 2017, the Shareholders' General Meeting decided to distribute a gross amount of € 1.35 per share, which was paid on 20 April 2017. For the fiscal year 2017, the Group's Board of Directors proposed a cash distribution payment of € 1.50 per share.

Accumulated Other Comprehensive Income ("AOCI") includes:

- change from ***available-for-sale financial assets*** (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 AOCI 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 2017, the number of treasury stock held by the Company decreased to 129,525 compared to 184,170 as of 31 December 2016. No shaes were sold back to the market nor cancelled in 2017 (in 2016: 14,1231,131 shares).

Authorisations Granted by the Shareholders' General Meeting of Airbus SE Held on 12 April 2017

On 12 April 2017, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2018, 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 30: 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 34.3: 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 12 April 2017, 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 not exceeding 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 2017 and 2016 is as follows:

	31 December	
(In € million)	**2017**	**2016**
Consolidated equity	**13,348**	**3,657**
AOCI - Restatement of investments from Consolidated to Company Financial Statements	(2,283)	5,198
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(436)	2,713
Retained Earnings - Valuation investments at historical cost	1,487	1,487
Retained Earnings - Impairment of financial assets	(672)	(1,273)
Company's equity	**11,444**	**11,782**

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2017 and 2016 is as follows:

(In € million)	**2017**	2016
Consolidated net income	**2,873**	**995**
Income from investments according to Consolidated Financial Statements	(3,014)	(1,118)
Income from investments according to Company Financial Statements	614	4,021
Loss on / Impairment of financial assets	0	0
Other valuation differences	10	2
Company's net income (Profit for the period)	**483**	**3,900**

12. Cash, Securities and Financing Liabilities

12.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
(In € million)	**2017**	2016
Bank accounts	2,697	1,710
Short-term securities (at fair value through profit or loss)	6,256	5,513
Short-term securities (available-for-sale)	2,085	1,535
Total cash and cash equivalents	**11,038**	**8,758**

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.

12.2 Securities

	31 December	
(In € million)	**2017**	2016
Current securities (available-for-sale)	1,576	1,489
Non-current securities (available-for-sale)	10,812	9,670
Non-current securities (at fair value through profit or loss)	0	0
Total securities	**12,388**	**11,159**

Included in the securities portfolio as of 31 December 2017 and 2016, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,062 million nominal value; comparably in 2016: € 10,458 million) or floating rate coupons (€ 321 million nominal value; comparably in 2016: € 359 million) and foreign currency funds of hedge funds (€ 5 million nominal value; 2016: € 6 million).

12.3 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 payables due to related parties.

The Company has received several euro-denominated loans and one US dollar-denominated loan from Airbus Group Finance B.V. ("AGFBV"). It has also issued a convertible bond in euro. Furthermore, the Company has long-term US dollar-denominated loans outstanding with the European Investment Bank ("EIB") and the Development Bank of Japan ("DBJ"). The terms and repayment schedules of these bonds and loans are as follows:

		Principal amount	Carrying amount 31 December		Coupon or interest	Effective		
		(in million)	**2017**	2016	rate	interest rate	Maturity	Additional features
Loans from Airbus Group Finance B.V.								
AGFBV (EMTN)	15 years	€ 500	€ 500	€ 499	3M Euribor +1.85%	at variable rate	Sept. 2018	
AGFBV (EMTN)	10 years	€ 1,000	€1,031	€ 1,052	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AGFBV (EMTN)	15 years	€ 500	€ 517	€ 526	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AGFBV (EMTN)	10 years	€ 600	€ 584	€ 589	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AGFBV (EMTN)	15 years	€ 900	€ 851	€ 861	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
AGFBV USD Loan 10 years		US$ 1,000	€ 818	€ 940	2.72%	2.80%	Apr. 2023	Interest rate swapped into 3M US-Libor +0.68%
Billet de trésorerie programme		US$ 0	€ 0	€ 0				
Loans from financial institutions								
DBJ 10 years		US$ 300	€ 250	€ 285	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
EIB 10 years		US$ 721	€ 343	€ 488	3M US-Libor +0.85%	3.20%	Aug. 2021	Interest rate swapped into 3.2% fixed
EIB 7 years		US$ 406	€ 339	€ 385	3M US-Libor +0.93%	at variable rate	Feb. 2020	
EIB 10 years		US$ 627	€ 516	€ 591	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Euribor +0.61%
EIB 10 years		US$ 320	€ 267	€ 304	6M US-Libor +0.56%	at variable rate	Dec. 2025	
Share	buyback		€ 0	€ 0				

	Principal amount (in million)	Carrying amount 31 December 2017	2016	Coupon or interest rate	Effective interest rate	Maturity	Additional features
commitment							
Others		€ 0	€ 0				
Bond							
Convertible bond 7 years	€ 500	€ 470	€ 464	0.00%	1.39%	July 2022	Convertible into Airbus SE shares at € 99.54 per share
Exchangeable bond 5 years	€ 1,078	€ 1,054	€ 1,048	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at € 1,306.25 per share
US$ Bond 10 years	US$ 750	€ 615	€ 0	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US$ Bond 30 years	US$ 750	€ 611	€ 0	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Total		**€ 8,765**	**€ 8,032**				
Thereof non-current financing liabilities		**€ 8,106**	**€ 7,934**				
Thereof current financing liabilities		**€ 660**	**€ 98**				

The increase in **long-term financing liabilities** is mainly due to the issuance in April 2017 of two bonds under the company's EMTN-Program for a total amount of US$ 1.5 billion, maturing in 2027 and 2047.

Included in the **short-term financing liabilities** is the bond under the company's EMTN-Program that matured in September 2018 for an amount of € 500 million as well as the part of the EIB loan maturing in 2018 for an amount of US$ 193 million

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. As of 31 December 2017, there was no outstanding amount under the programme. The Company established in April 2015 a US$ 2 billion commercial paper programme which has been increased to US$ 3 billion in April 2016. The commercial paper issuance activity was limited in the course of the year 2017.

13. Information about Financial Instruments

13.1 Financial Risk Management

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

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

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

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

Market Risk

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

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

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

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

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

A summary of the VaR position of the Company's financial instruments portfolio at 29 December 2017 and 31 December 2016 is as follows:

(In € million)	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2017				
FX hedges	4	0	4	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	30	17	12	24
Equity swaps	2	2	0	0
Diversification effect	(5)	(3)	(1)	(1)
All financial instruments	**31**	**16**	**15**	**24**
31 December 2016				
FX hedges	8	0	7	1
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	36	23	6	23
Equity swaps	4	4	0	0
Diversification effect	(14)	(2)	(11)	(1)
All financial instruments	**34**	**25**	**2**	**23**

The decrease in the total VaR compared to 31 December 2016 is mainly attributable to a decrease of market volatilities in particular foreign exchange ("FX") volatility on EUR/USD. The equity price VaR mainly decreased due to an increase in hedge effectiveness of the exchangeable bonds against the underlying equity position. The derivative instruments entered into with Group-external counterparties are passed on a 1:1 basis to Airbus Group entities. As a result, the respective market risks of the Group-external derivatoive instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity Risk

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

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

(In € million)	Carrying amount	Contractual cash flows	< 1 year	1 year- 2 years	2 years- 3 years	3 years- 4 years	4 years- 5 years	More than 5 years
31 December 2017								
Non-derivative financial liabilities	(8,766)	(9,948)	(746)	(243)	(616)	(1,592)	(672)	(6,079)
Derivative financial liabilities	(5,784)	(4,259)	(1,651)	(1,091)	(370)	(18)	(24)	(1,105)
Total	**(14,550)**	**(14,207)**	**(2,397)**	**(1,334)**	**(986)**	**(1,610)**	**(696)**	**(7,184)**
31 December 2016								
Non-derivative financial liabilities	(8,032)	(9,042)	(226)	(809)	(298)	(730)	(1,695)	(5,284)
Derivative financial liabilities	(12,241)	(15,147)	(4,762)	(4,104)	(3,106)	(1,630)	(1,127)	(418)
Total	**(20.273)**	**(24,189)**	**(4,988)**	**(4,913)**	**(3,404)**	**(2,360)**	**(2,822)**	**(5,702)**

Credit Risk

The Company is exposed to credit risk to the extent of non−performance by either the related parties to which it provides financing or its counterparts with regard to financial instruments or issuers of financial instruments for gross cash investments. Although the Company provides loans to Group companies its credit risk is limited to its direct subsidiaries. For the policies the Company has put in place to avoid concentrations of credit risk and to ensure that credit risk is limited please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements.

In 2017, the total receivables, neither past due nor impaired amount to € 176 million (in 2016: € 4,759 million).

13.2 Carrying Amounts and Fair Values of Financial Instruments

Financial instruments – The Company's financial assets mainly consist of cash, short to medium-term deposits and securities. The Company's financial liabilities include intragroup liabilities, obligations towards financial institutions and issued bonds. The Company has the same classification and accounting policies as the Group. Please refer to section 35.1 "Financial Risk Management" of the Notes to the Consolidated Financial Statements for more information.

The Company assigns its financial instruments (excluding its at-cost investments, which are outside the scope of IAS 39 "Financial instruments: recognition and measurement") into classes based on their category in the statement of financial position.

The following tables present the carrying amounts and fair values of financial instruments by class and by IAS 39 measurement category as of 31 December 2017 and 2016:

31 December 2017	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale		Loans and receivables and financial liabilities at amortised cost		**Financial instruments total**	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised cost	Fair value	**Book value**	**Fair value**
Assets									
Other investments and long-term financial assets									
• Equity instruments				1,193	1,193			**1,193**	**1,193**
• Loans						3,234	3,856	3,234	3,856
Trade receivables						31	31	**31**	**31**
Other financial assets									
• Derivative instruments	5,586	0	54	0	0	0	0	**5,640**	**5,640**
• Current account Group companies	0	0	0	0	0	9,581	9,581	**9,581**	**9,581**
Securities		0	0	12,388	12,388	0	0	**12,388**	**12,388**
Cash and cash equivalents	0	6,256	0	2,085	2,085	2,697	2,697	**11,038**	**11,038**
Total	**5,586**	**6,256**	**54**	**15,666**	**15,666**	**15,543**	**16,165**	**43,105**	**43,727**
Liabilities									
Financing liabilities									
• Issued bonds and commercial papers	0	0	0	0	0	2,751	3.083	2.751	3.083
• Liabilities to banks and other financing liabilities	0	0	0	0	0	1,715	3.081	1.715	3.081
• Internal loans payable	0	0	0	0	0	4,300	4.298	4.300	4.298
Other financial liabilities									
• Derivative instruments	5.698	0	86	0	0	0	0	5.785	5.785
• Current accounts Group companies	0	0	0	0	0	32,127	32.127	32.127	32.127
Total	**5.698**	**0**	**86**	**0**	**0**	**40.893**	**42.590**	**46.679**	**48.375**

31 December 2016	Fair value through profit or loss		Fair value for hedge relations	Available-for-sale		Loans and receivables and financial liabilities at amortised cost		**Financial instruments total**	
(In € million)	Held for trading	Designated	Fair value	Book value	Fair value	Amortised cost	Fair value	**Book value**	**Fair value**
Assets									
Other investments and long−term financial assets									
• Equity instruments	0	0	0	1,056	1,056	0	0	**1,056**	**1,056**
• Loans	0	0	0	0	0	3,401	3,502	**3,401**	**3,502**
Trade receivables	0	0	0	0	0	102	102	**102**	**102**
Other financial assets									
• Derivative instruments	12,031	0	122	0	0	0	0	**12,153**	**12,153**
• Current account Group companies	0	0	0	0	0	9,409	9,409	**9,409**	**9,409**
Securities	0	0	0	11,159	11,159	0	0	**11,159**	**11,159**
Cash and cash equivalents	0	5,513	0	1,535	1,535	1,710	1,710	**8,758**	**8,758**
Total	**12,031**	**5,513**	**122**	**13,750**	**13,750**	**14,622**	**14,723**	**46,038**	**46,038**
Liabilities									
Financing liabilities									
• Issued bonds and commercial papers	0	0	0	0	0	1,512	1,557	**1,512**	**1,557**
• Liabilities to banks and other financing liabilities	0	0	0	0	0	2,053	2,053	**2,053**	**2,053**
• Internal loans payable	0	0	0	0	0	4,467	4,660	**4,467**	**4,660**
Other financial liabilities									
• Derivative instruments	12,196	0	45	0	0	0	0	**12,241**	**12,241**
• Current accounts Group companies	0	0	0	0	0	28,557	28,557	**28,557**	**28,557**
Total	**12,196**	**0**	**45**	**0**	**0**	**36,588**	**36,827**	**48,830**	**49,068**

Fair Value Hierarchy

For further details please refer to Note 35.2 “Carrying Amounts and Fair Values of Financial Instruments” in the Consolidated Financial Statements.

The fair values disclosed for financial instruments accounted for at amortised cost reflect Level 2 input.

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy** as of 31 December 2017 and 2016, respectively:

	31 December 2017			31 December 2016		
(In € million)	**Level 1**	**Level 2**	**Total**	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,193	0	1,193	1,056	0	1,056
Derivative instruments	0	5,641	5,641	0	12,153	12,153
Securities	12,388	0	12,388	11,139	20	11,159
Cash equivalents	7,441	900	8,341	6,218	830	7,048
Total	**21,022**	**6,542**	**27,564**	**18,413**	**13,003**	**31,416**
Financial liabilities measured at fair value	0	0	0			
Derivative instruments	0	5,785	5,785	0	12,241	12,241
Other liabilities	0	0	0	0	0	0
Total	**0**	**5,785**	**5,785**	**0**	**12,241**	**12,241**

13.3 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 2017 and 31 December 2016, respectively:

Derivative instruments				Related amounts not set off in the statement of financial position		
(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Financial instruments	Cash collateral received	Net amount
31 December 2017						
Financial assets	2,643	0	2,643	(1,472)	44	1,215
Financial liabilities	1,486	0	1,486	(1,472)	0	14
31 December 2016						
Financial assets	12,153	0	12,153	(2,561)	0	9,592
Financial liabilities	12,241	0	12,241	(2,561)	0	9.680

13.4 Notional Amounts of Derivative Financial Instruments

The **maturity of hedged interest cash flows** are as follows, specified by year of expected maturity:

	Remaining period								**Total**
(In € million)	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	
31 December 2017									
Interest rate contracts	0	0	0	343	0	1,001	1,523	2,000	4,867
Interest rate future contracts	0	0	0	0	0	0	0	0	0
31 December 2016									
Interest rate contracts	30	0	0	0	488	0	949	3,595	5,062
Interest rate future contracts	130	0	0	0	0	0	0	0	130

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

	Remaining period					**Total**
(In € million)	1 year	2 years	3 years	4 years	> 4 years	
31 December 2017	52	49	19	0	0	121
31 December 2016	77	52	49	19	0	197

13.5 Derivative Financial Instruments and Hedge Accounting Disclosure

In addition, a loss of € -29 million was recognised in the profit for the period in 2017 (€ 27 million in 2016) on derivatives that were designated as hedging instruments in a fair value hedge, and a gain of € 12 million (in 2016: € 12 million) attributable to the hedged risk was recognised in the profit for the period on the corresponding hedged items. Corresponding with its carrying amounts, the fair values of each type of derivative financial instruments are as follows:

	31 December			
	2017		2016	
(In € million)	Assets	Liabilities	Assets	Liabilities
Foreign currency contracts – cash flow hedges	0	0	0	0
Foreign currency contracts – not designated in a hedge relationship	5,504	5,513	11,941	11,962
Interest rate contracts – cash flow hedges	0	1	0	7
Interest rate contracts – fair value hedges	54	84	122	38
Interest rate contracts – not designated in a hedge relationship	30	29	23	57
Commodity contracts - not designated in a hedge relationship	16	16	52	52
Equity swaps – not designated in a hedge relationship	38	0	15	3
Option component of Exchangeable Bond	0	141	0	122
Total	**5,641**	**5,784**	**12,153**	**12,241**

13.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2017 and 2016, respectively are as follows:

(In € million)	**2017**	2016
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	200	(168)
Designated on initial recognition	(214)	49
Available-for-sale financial assets	(205)	15
Loans and receivables[(1)]	(226)	(93)
Financial liabilities measured at amortised cost	448	123
Total	**4**	**(74)**

(1) Contain among others impairment losses.

14. Events after the Reporting Date

There are no significant events after the reporting date.

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 Profit for the period of € 483 million as shown in the income statements for the financial year 2017 is to be added to retained earnings and that a payment of a gross amount of € 1.50 per share shall be made to the shareholders out of retained earnings.

2. Independent Auditor's Report

To: the General Meeting of Shareholders of Airbus SE

Ernst & Young Accountants LLP
Cross Towers, Antonio Vivaldistraat 150
1083 HP Amsterdam
Postbus 7883
1008 AB Amsterdam

Tel: +31 88 407 10 00
Fax: +31 88 407 10 05
www.ey.com

Independent auditor's report

To: the shareholders and Board of Directors of Airbus SE

Report on the audit of the Financial Statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 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 2017, and of its result and its cash flows for 2017 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 2017
- The following statements for 2017: 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.

Materiality

Materiality	€ 213 million
Benchmark applied	5 % of the EBIT adjusted
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 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 that misstatements in excess of €10 million which 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.

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.

We are responsible for directing, supervising and performing the group audit. In this context, we have determined the nature and extent of the audit procedures to be carried out for the entities, based on their size and/or risk profile.

We scope entities into the group audit where they are of significant size, have significant risks to the Company associated with them or are considered for other reasons. This resulted in coverage of 88% of total consolidated revenue and 89% of total consolidated assets. The remaining 12% of revenues, and 11% of total assets results from entities, none of which individually represents more than 1% of revenues except for one company that represents 3% of the revenue. For that company we performed a limited scope review. For the remaining entities, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of 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), review and discussion of the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its divisions. As part of our audit instructions, we also included questions on key programmes (A380, A350 XWB and A400M) and the risk of non-compliance with laws and regulations. We involved several EY specialists to assist the audit team, including specialists from our tax, actuarial, treasury and compliance departments.

The audit of the three Airbus divisions is performed jointly by EY network firms and other non-EY audit firms. Meetings were held with the divisional auditors and divisional management to discuss the findings reported to the group audit team. We furthermore executed file reviews at EY network teams and other non-EY audit firms.

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.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee of the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

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.

Risk description	Our audit response
Litigation and claims and risk of non-compliance with laws and regulations	
A part of the Company's business is characterised by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is	We evaluated and tested the updated Company's policies, procedures and controls over the selection of intermediaries, contracting arrangements, ongoing management, payments and responses to suspected breaches of policy.

Risk description	Our audit response
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. Subsidiaries of Airbus SE remain under investigation by various law enforcement agencies for amongst others alleged irregularities concerning third party consultants. Breaches of laws and regulations in these areas can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business. Litigation and claims 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 financial position. Reference is made to disclosure on Note 3 'Key estimates and judgements', Note 22 'Provisions, contingent assets and contingent liabilities' and Note 36 'Litigations and claims' of the financial statements.	We evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk. We discussed with the Board of Directors, the Audit Committee, the Ethics and Compliance Committee as well as the Company's legal advisors the areas of potential or suspected breaches of law, including the ongoing investigations, to corroborate the results of those enquiries with third parties and assessed related non-privilege documentation. We have enquired management, the Audit Committee, the Ethics and Compliance Committee and the Board of Directors as to whether the Company is in compliance with laws and regulations relating to bribery and corruption. 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. We have assessed whether the disclosure in note 36 to the financial statements of the Company's exposure to the financial effects of potential or suspected breaches of law or regulation complies with accounting standards. We observed that the disclosures in the financial statements reflect the current status of the investigation by the UK SFO and France's PNF as well as the review of Business Partner Relationships.

Accounting for construction contracts, including revenue recognition and loss provision	
The amount of revenue and profit recognised in a year is dependent on the assessment of the stage of completion of construction contracts as well as estimated total revenues and estimated total cost. Significant estimates are made to assess the stage of completion based on milestones, estimated revenue and costs for key programmes such as A400M and A350 XWB. Depending on these assessments, the stage of completion is determined, revenue is recognised and loss provisions are recorded when the contract margin is negative. Provisions for contract losses relate mainly to the A400M and A350 XWB and are recorded when it becomes probable that the estimated total contract costs will exceed estimated total contract revenues. Updates to these provisions can have a significant impact on the Company's result and financial position. The determination of these provisions is based on best available estimates and requires significant management's judgement and assumptions associated with the technical development achievement and certification schedules, production plan (including assumptions on ramp up), performance guarantees as well as expected outcome from ongoing negotiations with customers. Reference is made to the disclosure on Note 3 'Key estimates and judgements', Note 10 'Revenues, cost of sales and gross margin' and Note 22 'Provisions, contingent assets and contingent liabilities' of the financial statements.	We evaluated the design and implementation of internal controls for accounting for construction contracts. We also performed detailed procedures on individually significant programs, including discussions with the individual Head of Programme, and 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 loss making 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, and paid specific attention for example to technical development, 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. The assumptions and estimates used by management regarding the A400M reflect the current understanding of the signed Declaration of Intent between the Company and the A400M Launch Customer Nations. Regarding the LMC provision of the A350 XWB we noticed that management has updated the LMC provision to reflect the latest estimate for revenue and unit costs as well as latest settlement agreements with customers.

Valuation of inventories for contracts accounted for under IAS 18 and completeness of provision for contract losses	
Inventories amount in total to € 31 billion, including work in progress of € 23 billion for key programmes (accounted for under IAS 18 Revenue recognition, for which revenue and cost of sales are recognised as each aircraft is delivered) such as A380, A350 XWB or A320. Estimates of total contract costs and selling price per aircraft are necessary to determine if the net realisable value impairment or provision for contract losses is required. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial action required to correct any performance issues detected. Due to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments and provisions, this is a key audit area. Updates to these provisions can have a significant impact on the Company's result and financial position. Reference is made to the disclosures on Note 3 'Key estimates and judgements', and notes 20 'Inventories' and 22 'Provisions, contingent assets and contingent liabilities' of the financial statements.	We evaluated the design and implementation of internal controls for identifying and recording impairments and provisions and performed detailed procedures including inquiry of the Head of Programmes and corroboration with other audit evidence. We evaluated management's assumptions in the determination of the forecast revenue to be received, cost to be incurred (including any contractual penalties) and gross margin. Our evaluation was based on our assessment of the historical accuracy of the Company's estimates in previous periods and included an analysis of contingencies and impact of known technical issues on cost forecasts and provisions. The assumptions and estimates regarding the A380 include the recent changes in commercial perspectives.
Derivative financial instruments	
The Company operates in a business environment that is exposed to currency and interest rate volatility. A significant portion of the Company's revenue is dominated 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 consolidated financial statements, both in valuation of the financial instruments and in the presentation and disclosure in the financial statements. The magnitude of the Company's hedge portfolio and potential significant changes in the exchange rate of the US dollar versus the Euro could have a negative impact on the consolidated equity of the Company via the 'mark to market' valuation of the hedge portfolio. Reference is made to Note 35 'Information about financial instruments' of the financial statements.	For the audit of financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio 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. Finally we evaluated whether appropriate disclosures relating to financial instruments were made in the financial statements.
IFRS 15	

IFRS 15 'Revenue from Contracts with Customers' will be adopted by Airbus starting 1 January 2018. It will have a significant impact on equity as disclosed in Note 4 'Change in accounting policies and disclosures' of the financial statements.	Airbus performed an initial assessment of the estimated equity impact of IFRS 15 as of 1/1/17. We reviewed the quantitative and qualitative disclosures in Note 4.

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
- 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

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 the Dutch Standard 720. The scope of the procedures performed is 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 pursuant to Part 9 of Book 2 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 of the Board of Directors 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 assignment 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 have detected all material errors and fraud.

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 judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and 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
- 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

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 Company's 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.

We communicate with the Audit Committee of the Board of Directors regarding, among 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 of the Board of Directors 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 of the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, 14 February 2018

Ernst & Young Accountants LLP

signed by A.A. van Eimeren