

# Unaudited Condensed Interim IFRS Consolidated Financial Information of Airbus SE for the nine-month period ended 30 September 2017

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## Unaudited Condensed Interim IFRS Consolidated Income Statements

	Note	1 January - 30 September 2017		1 January - 30 September 2016		Change
		In € million	In %	In € million	In %	In € million
<b>Revenues</b>	6	42,953	100	42,705	100	248
Cost of sales		-38,015	-89	-38,939	-91	924
<b>Gross margin</b>	6	<b>4,938</b>	<b>11</b>	<b>3,766</b>	<b>9</b>	<b>1,172</b>
Selling, administrative and other expenses		-1,923	-4	-1,895	-5	-28
Research and development expenses		-1,918	-4	-2,015	-5	97
Other income	6	916	2	2,422	6	-1,506
Share of profit from investments under the equity method and other income from investments		299	0	78	0	221
<b>Profit before finance result and income taxes</b>	6	<b>2,312</b>	<b>5</b>	<b>2,356</b>	<b>5</b>	<b>-44</b>
Interest income		134	0	186	0	-52
Interest expense		-385	-1	-389	-1	4
Other financial result		343	1	-139	0	482
<b>Finance result</b>	7	<b>92</b>	<b>0</b>	<b>-342</b>	<b>-1</b>	<b>434</b>
Income taxes	8	-553	-1	-204	0	-349
<b>Profit for the period</b>		<b>1,851</b>	<b>4</b>	<b>1,810</b>	<b>4</b>	<b>41</b>
<b>Attributable to:</b>						
Equity owners of the parent (Net income)		1,851	4	1,811	4	40
Non-controlling interests		0	0	-1	0	1
<b>Earnings per share</b>	9	€		€		€
Basic		2.39		2.34		0.05
Diluted		2.38		2.33		0.05

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

## Unaudited Condensed Interim IFRS Consolidated Income Statements for the third quarter of 2017 and 2016

	Note	1 July - 30 September 2017		1 July - 30 September 2016		Change In € million
		In € million	In %	In € million	In %	
<b>Revenues</b>	6	14,244	100	13,950	100	294
Cost of sales		-12,674	-89	-12,296	-88	-378
<b>Gross margin</b>	6	<b>1,570</b>	<b>11</b>	<b>1,654</b>	<b>12</b>	<b>-84</b>
Selling, administrative and other expenses		-601	-4	-603	-4	2
Research and development expenses		-630	-4	-706	-5	76
Other income	6	129	1	68	0	61
Share of profit from investments under the equity method and other income from investments		53	0	92	1	-39
<b>Profit before finance result and income taxes</b>	6	<b>521</b>	<b>4</b>	<b>505</b>	<b>4</b>	<b>16</b>
Interest income		53	0	49	0	4
Interest expense		-134	-1	-155	-1	21
Other financial result		107	1	-88	-1	195
<b>Finance result</b>	7	<b>26</b>	<b>0</b>	<b>-194</b>	<b>-2</b>	<b>220</b>
Income taxes	8	-199	-2	-262	-2	63
<b>Profit for the period</b>		<b>348</b>	<b>2</b>	<b>49</b>	<b>0</b>	<b>299</b>
<b>Attributable to:</b>						
Equity owners of the parent (Net income)		<b>348</b>	<b>2</b>	<b>50</b>	<b>0</b>	<b>298</b>
Non-controlling interests		0	0	-1	0	1
<b>Earnings per share</b>	9	€		€		€
Basic		0.45		0.06		0.39
Diluted		0.45		0.07		0.38

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

## Unaudited Condensed Interim IFRS Consolidated Statements of Comprehensive Income

(In € million)	1 January - 30 September 2017	1 January - 30 September 2016
<b>Profit for the period</b>	<b>1,851</b>	<b>1,810</b>
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit pension plans	314	-2,171
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method	11	-62
Income tax relating to items that will not be reclassified	-92	605
Items that may be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-404	-420
Change in fair value of cash flow hedges	9,342	2,974
Change in fair value of available-for-sale financial assets	350	-49
Share of changes in other comprehensive income from investments accounted for under the equity method	-21	-35
Income tax relating to items that may be reclassified	-2,546	-908
<b>Other comprehensive income, net of tax</b>	<b>6,954</b>	<b>-66</b>
<b>Total comprehensive income of the period</b>	<b>8,805</b>	<b>1,744</b>
<b>Attributable to:</b>		
Equity owners of the parent	8,773	1,721
Non-controlling interests	32	23

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

## Unaudited Condensed Interim IFRS Consolidated Statements of Comprehensive Income for the third quarter of 2017 and 2016

(In € million)	1 July - 30 September 2017	1 July - 30 September 2016
<b>Profit for the period</b>	<b>348</b>	<b>49</b>
Items that will not be reclassified to profit or loss:		
Remeasurement of the defined benefit pension plans	-48	-460
Share of remeasurement of the defined benefit pension plans from investments accounted for under the equity method	6	-56
Income tax relating to items that will not be reclassified	21	109
Items that may be reclassified to profit or loss:		
Foreign currency translation differences for foreign operations	-90	-136
Change in fair value of cash flow hedges	2,596	934
Change in fair value of available-for-sale financial assets	221	92
Share of changes in other comprehensive income from investments accounted for under the equity method	-8	-8
Income tax relating to items that may be reclassified	-592	-282
<b>Other comprehensive income, net of tax</b>	<b>2,106</b>	<b>193</b>
<b>Total comprehensive income of the period</b>	<b>2,454</b>	<b>242</b>
<b>Attributable to:</b>		
Equity owners of the parent	2,447	234
Non-controlling interests	7	8

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

## Unaudited Condensed Interim IFRS Consolidated Statements of Financial Position

		30 September 2017		31 December 2016		Change	
	Note	In € million	In %	In € million	In %	In € million	In %
<b>Assets</b>							
<b>Non-current assets</b>							
Intangible assets	10	11,658	10	12,068	11	-410	-3
Property, plant and equipment	10	16,549	15	16,918	15	-369	-2
Investments accounted for under the equity method	11	1,549	1	1,608	2	-59	-4
Other investments and other long-term financial assets	12	4,327	4	3,655	3	672	18
Non-current other financial assets	14	2,551	2	976	1	1,575	161
Non-current other assets	15	2,323	2	2,358	2	-35	-1
Deferred tax assets		5,700	5	7,557	7	-1,857	-25
Non-current securities	18	10,071	9	9,897	9	174	2
		<b>54,728</b>	<b>48</b>	<b>55,037</b>	<b>50</b>	<b>-309</b>	<b>-1</b>
<b>Current assets</b>							
Inventories	13	35,443	31	29,688	27	5,755	19
Trade receivables		8,043	7	8,101	7	-58	-1
Current portion of other long-term financial assets	12	516	0	522	1	-6	-1
Current other financial assets	14	1,712	2	1,257	1	455	36
Current other assets	15	3,278	3	2,576	2	702	27
Current tax assets		883	1	1,110	1	-227	-20
Current securities	18	1,317	1	1,551	1	-234	-15
Cash and cash equivalents	18	6,592	6	10,143	9	-3,551	-35
		<b>57,784</b>	<b>51</b>	<b>54,948</b>	<b>49</b>	<b>2,836</b>	<b>5</b>
Assets and disposal groups of assets classified as held for sale	3	951	1	1,148	1	-197	-17
<b>Total assets</b>		<b>113,463</b>	<b>100</b>	<b>111,133</b>	<b>100</b>	<b>2,330</b>	<b>2</b>
<b>Total equity<sup>(1)</sup></b>							
<b>Equity attributable to equity owners of the parent</b>							
Capital stock		775	1	773	0	2	0
Reserves		8,883	7	7,732	7	1,151	15
Accumulated other comprehensive income		1,844	2	-4,845	-4	6,689	-138
Treasury shares		-3	0	-3	0	0	0
		<b>11,499</b>	<b>10</b>	<b>3,657</b>	<b>3</b>	<b>7,842</b>	<b>214</b>
Non-controlling interests		0	0	-5	0	5	-100
	16	<b>11,499</b>	<b>10</b>	<b>3,652</b>	<b>3</b>	<b>7,847</b>	<b>215</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Non-current provisions	17	10,391	9	10,826	10	-435	-4
Long-term financing liabilities	18	9,514	9	8,791	8	723	8
Non-current other financial liabilities	14	8,374	7	13,313	12	-4,939	-37
Non-current other liabilities	15	16,885	15	16,567	15	318	2
Deferred tax liabilities		2,143	2	1,292	1	851	66
		<b>47,307</b>	<b>42</b>	<b>50,789</b>	<b>46</b>	<b>-3,482</b>	<b>-7</b>
<b>Current liabilities</b>							
Current provisions	17	5,228	5	6,143	5	-915	-15
Short-term financing liabilities	18	1,748	1	1,687	2	61	4
Trade liabilities		12,192	11	12,532	11	-340	-3
Current tax liabilities		1,278	1	1,126	1	152	13
Current other financial liabilities	14	2,751	2	5,761	5	-3,010	-52
Current other liabilities	15	30,987	28	28,452	26	2,535	9
		<b>54,184</b>	<b>48</b>	<b>55,701</b>	<b>50</b>	<b>-1,517</b>	<b>-3</b>
Disposal groups of liabilities classified as held for sale	3	473	0	991	1	-518	-52
<b>Total liabilities</b>		<b>101,964</b>	<b>90</b>	<b>107,481</b>	<b>97</b>	<b>-5,517</b>	<b>-5</b>
<b>Total equity and liabilities</b>		<b>113,463</b>	<b>100</b>	<b>111,133</b>	<b>100</b>	<b>2,330</b>	<b>2</b>

(1) As of 30 September 2017, the accumulated other comprehensive income, previously classified within equity relating to assets and disposal groups classified as held for sale, amounts to €-72 million.

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

## Unaudited Condensed Interim IFRS Consolidated Statements of Cash Flows

(In € million)	Note	1 January - 30 September 2017	1 January - 30 September 2016
<b>Profit for the period attributable to equity owners of the parent (Net income)</b>		<b>1,851</b>	<b>1,811</b>
Profit (loss) for the period attributable to non-controlling interests		0	-1
<i>Adjustments to reconcile profit for the period to cash provided by operating activities</i>			
Depreciation and amortization		1,603	1,580
Valuation adjustments		-400	263
Deferred tax expense (income)		15	-560
Change in income tax assets, income tax liabilities and provisions for income tax		383	343
Results on disposals of non-current assets		-770	-1,829
Results of companies accounted for under the equity method		-198	-66
Change in current and non-current provisions		-473	206
Reimbursement from / contribution to plan assets		-171	-203
Change in other operating assets and liabilities		-4,459	-3,576
<b>Cash (used for) operating activities</b>	<b>18</b>	<b>-2,619</b>	<b>-2,032</b>
<i>Investment activities</i>			
- Purchases of intangible assets, PPE		-1,655	-1,990
- Proceeds from disposals of intangible assets, PPE		113	36
- Acquisitions of subsidiaries and joint ventures (net of cash)		0	-120
- Proceeds from disposals of subsidiaries (net of cash)		740	731
- Payments for investments in associates and other investments and long-term financial assets		-633	-502
- Proceeds from disposals of associates and other investments and long-term financial assets		479	102
- Dividends paid by companies valued at equity		20	19
Disposal of assets, liabilities and disposal groups classified as held for sale		0	1,527
Change in securities		-39	589
<b>Cash (used for) provided by investing activities</b>	<b>18</b>	<b>-975</b>	<b>392</b>
<i>Financing activities</i>			
Change in long-term and short-term financing liabilities		1,549	2,422
Cash distribution to Airbus SE shareholders		-1,043	-1,008
Dividends paid to non-controlling interests		-4	-2
Changes in capital and non-controlling interests		79	54
Share buyback		0	-736
<b>Cash provided by financing activities</b>	<b>18</b>	<b>581</b>	<b>730</b>
Effect of foreign exchange rate changes on cash and cash equivalents		-305	-52
<b>Net (decrease) of cash and cash equivalents</b>		<b>-3,318</b>	<b>-962</b>
<b>Cash and cash equivalents at beginning of period <sup>(1)</sup></b>		<b>10,160</b>	<b>6,677</b>
<b>Cash and cash equivalents at end of period</b>		<b>6,842</b>	<b>5,715</b>
Thereof presented as cash and cash equivalents		6,592	5,694
Thereof presented as part of disposal groups classified as held for sale		250	21

(1) The cash and cash equivalents at the beginning of the period 2017 include €17 million, which is presented as part of assets of disposal groups classified as held for sale.

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

## Unaudited Condensed Interim IFRS Consolidated Statements of Changes in Equity

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total
<b>Balance at 1 January 2016</b>	<b>5,966</b>	<b>7</b>	<b>5,973</b>
Profit for the period	1,811	-1	1,810
Other comprehensive income	-90	24	-66
Total comprehensive income	1,721	23	1,744
Cash distribution to shareholders / dividends to non-controlling interests	-1,008	-2	-1,010
Capital increase	54	0	54
Equity transactions	39	-20	19
Change in treasury shares	-513	0	-513
Share-based payment (IFRS 2)	29	0	29
<b>Balance at 30 September 2016</b>	<b>6,288</b>	<b>8</b>	<b>6,296</b>
<b>Balance at 1 January 2017</b>	<b>3,657</b>	<b>-5</b>	<b>3,652</b>
Profit for the period	1,851	0	1,851
Other comprehensive income	6,922	32	6,954
Total comprehensive income	8,773	32	8,805
Cash distribution to shareholders / dividends to non-controlling interests	-1,043	-4	-1,047
Capital increase	79	0	79
Equity transactions (IAS 27)	0	-23	-23
Share-based payment (IFRS 2)	33	0	33
<b>Balance at 30 September 2017</b>	<b>11,499</b>	<b>0</b>	<b>11,499</b>

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



## Notes to the Unaudited Condensed Interim IFRS Consolidated Financial Statements as at 30 September 2017

### 1. The Company

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The accompanying Unaudited Condensed IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** (the “Company”) and its subsidiaries, a European public limited-liability company (*Societas Europaea*) with its 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, and are prepared and reported in euro (“€”). On 1 January 2017, the Company has been further integrated by merging its Group structure with the commercial aircraft activities of Airbus, with associated restructuring measures. On 12 April 2017, the Company changed its name from Airbus Group SE to Airbus SE, following approval at the Annual General Meeting. Therefore, the Company together with its subsidiaries 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 Helicopters and Airbus Defence and Space as Divisions. During 2017, Airbus will continue to report under the existing reportable segments. Airbus’ core business is the manufacturing of commercial aircraft, civil and military helicopters, commercial space launch vehicles, missiles, military aircraft, satellites, defence systems and defence electronics and rendering of services related to these activities. The Unaudited Condensed IFRS Consolidated Financial Statements for the nine-month period ended 30 September 2017 were authorised for issue by the Company Board of Directors on 30 October 2017.

### 2. Accounting policies

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The Unaudited Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) as at 30 September 2017.

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

#### Use of estimates and judgment

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

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

### **IFRS 15 “Revenue from contracts with customers”**

As indicated in the Consolidated Financial Statements as at 31 December 2016, IFRS 15 will replace the current revenue recognition standards.

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.

#### ***Impacts on current 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 one single contract margin under IAS11 (e.g. A400M, Tiger Programme). In some cases, the over time 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 the delivery of the aircraft to the customer.
- Measurement of the revenue will take into consideration variable consideration constraints in order to achieve high likelihood that a significant reversal of the recognised revenue will not occur in the future.
- The measure of the progress towards complete satisfaction of a performance obligation satisfied over time will be based on inputs (i.e. cost incurred) rather than on outputs (i.e. milestones achieved). On Airbus current long-term construction contracts progress is usually measured based on milestones achieved. 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.

#### ***Impacts on current 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.

The detailed analysis of the impacts on the financial statements and backlog are ongoing. Airbus is completing the restatement of the opening financial position. Airbus will provide a comprehensive and bottom-up quantitative assessment relative to IFRS 15 implementation impacts in its year-end 2017 financial statements.

Airbus will continue to work in 2017 on the quantification of transition effects and on the design and implementation of internal procedures to apply the new requirements.

### 3. Acquisitions and disposals

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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.

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

**Airbus Safran Launchers ("ASL")** transaction finalised over the first half-year 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.

#### **Assets and disposal groups classified as held for sale**

As of 30 September 2017, Airbus accounted for **assets and disposal groups of assets classified as held for sale** in the amount of €951 million (prior year-end: €1,148 million). **Disposal groups of liabilities classified as held for sale** as of 30 September 2017 amount to €473 million (prior year-end: €991 million). These amounts comprise mainly the disposal group of assets and liabilities of **Vector Aerospace Holding SAS ("Vector")**.

On 5 July 2017, StandardAero Aviation Holdings, Inc. ("StandardAero") and Airbus entered into exclusive negotiations with respect to an acquisition by StandardAero of Vector from Airbus. 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. On 17 October 2017, the parties have signed a sale purchase agreement which will be closed during the last quarter 2017.

### 4. Related party transactions

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

Airbus participates in the UK in several funded trustee-administered pension plans, some of which have BAE Systems as principal employer.

## 5. Segment information

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

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

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

Airbus SE  
Unaudited Condensed Interim IFRS Consolidated Financial Information  
for the nine-month period ended 30 September 2017

Business segment information for the nine-month period ended 30 September 2017:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other/ HQ/Conso.	Consolidated
Total revenues	32,643	4,388	6,733	43,764	35	43,799
Internal revenues	-419	-367	-58	-844	-2	-846
<b>Revenues</b>	<b>32,224</b>	<b>4,021</b>	<b>6,675</b>	<b>42,920</b>	<b>33</b>	<b>42,953</b>
Research and development expenses	-1,368	-205	-220	-1,793	-125	-1,918
<b>Profit before finance result and income taxes</b>	<b>1,518</b>	<b>165</b>	<b>900</b>	<b>2,583</b>	<b>-271</b>	<b>2,312</b>
Finance result						92
Income taxes						-553
<b>Profit for the period</b>						<b>1,851</b>

Business segment information for the nine-month period ended 30 September 2016:

(In € million)	Airbus Commercial Aircraft	Airbus Helicopters	Airbus Defence and Space	Total segments	Other/ HQ/Conso.	Consolidated
Total revenues	31,511	4,282	7,714	43,507	36	43,543
Internal revenues	-393	-358	-85	-836	-2	-838
<b>Revenues</b>	<b>31,118</b>	<b>3,924</b>	<b>7,629</b>	<b>42,671</b>	<b>34</b>	<b>42,705</b>
Research and development expenses	-1,479	-226	-237	-1,942	-73	-2,015
<b>Profit before finance result and income taxes</b>	<b>773</b>	<b>200</b>	<b>579</b>	<b>1,552</b>	<b>804</b>	<b>2,356</b>
Finance result						-342
Income taxes						-204
<b>Profit for the period</b>						<b>1,810</b>

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

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**Revenues** of €42,953 million (first nine months 2016: €42,705 million) are broadly stable compared to previous year. The increase at Airbus Commercial Aircraft (€+1,132 million), mostly driven by a favourable foreign exchange impact, was partially offset by a decrease in Airbus Defence and Space (€-981 million), primarily due to perimeter changes.

The **gross margin** increased by €+1,172 million to €4,938 million compared to €3,766 million in the first nine months 2016, mainly at Airbus Defence and Space and Airbus Commercial Aircraft, principally due to a lower net charge related to the A400M (€150 million, compared to first nine months 2016 €1,026 million) and the A350 XWB programmes (€0 million, compared to first nine months 2016 €385 million), respectively. The gross margin rate increased from 8.8% to 11.5%.

In the first nine months 2017, Airbus Commercial Aircraft has delivered 50 A350 XWB aircraft. Order cancellations to the end of September 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's commitment. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up accelerates.

12 A400M aircraft were delivered during the first nine months 2017. In total, 50 aircraft have been delivered to the customer as of 30 September 2017.

Industrial efficiency and military capabilities remain a challenge for the A400M programme. In the first nine months 2017, Airbus continued with development activities toward achieving the revised capability roadmap, however achievement of contractual technical capabilities remains highly challenging.

As a result of the 2016 detailed contract reviews, Airbus Defence and Space had recorded a charge of €2,210 million (thereof €1,026 million in the first half-year 2016). In the third quarter 2017, a short term production adaptation has been initiated. All other operational and commercial assumptions that underpinned the 2016 detail contract reviews remain current best management assessment as at 30 September 2017. The update of the provision during the first nine months 2017 reflects price escalation and cash impacts of current year deliveries as well as the consequences of the production adaptation, leading to a charge of €150 million.

Given the order of magnitude on the cumulative programme loss, the Board of Directors mandated the management in February 2017 to re-engage with customers to cap the remaining exposure. Related discussions with the customer are in progress. Challenges remain on development of contractual technical capabilities and the associated costs, on securing sufficient export orders in time, on cost reductions and commercial exposure, which could all impact significantly the programme.

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

**The profit before finance result and income taxes** decreased by €-44 million to €2,312 million compared to €2,356 million in the first nine months 2016, mainly driven by a decrease in other income, partly offset by the increase in gross margin and share of profit from investments under the equity method and other income from investments.

**Other income** decreased by €-1,506 million to €916 million compared to €2,422 million in the first nine months 2016, which included the capital gain of €1,139 million following the creation of ASL and the disposal of Dassault Aviation shares. In the first nine months 2017, it includes the capital gain from the sale of the defence electronics business and the completion of the allocation of the purchase price of ASL (see Note 3 “Acquisitions and disposals”).

## 7. Finance result

**Finance result** improved by €+434 million to €92 million compared to €-342 million in the first nine months 2016. This is mainly related to a positive impact from both foreign exchange valuation of monetary items of €+266 million and the revaluation of financial instruments of €+197 million.

## 8. Income tax

The **income tax** expense of €-553 million (first nine months 2016: €-204 million) corresponds to an effective tax rate of 23.0% (first nine months 2016: 10.1%). These effective tax rates were impacted by transactions taxed at reduced rates, relating to the disposal of the defence electronics business in the first nine months 2017, and the sale of shares of Dassault Aviation and the creation of ASL, in the first nine months 2016. Without these impacts, the effective tax rate would be approximately 28%.

## 9. Earnings per share

	1 January - 30 September 2017	1 January - 30 September 2016
<b>Basic earnings per share</b>		
Profit for the period attributable to equity owners of the parent (Net income)	€1,851 million	€1,811 million
Weighted average number of ordinary shares outstanding	773,574,878	774,211,224
Basic earnings per share	€2.39	€2.34

**Diluted earnings per share** – Airbus’ categories of dilutive potential ordinary shares are share-settled Performance Units relating to Long-Term Incentive Plans and the convertible bond issued on 1 July 2015. In 2016, it also included the last Stock Option Plan (“SOP”) which expired in December 2016. During the first nine months 2017, the average price of the Company’s shares exceeded the exercise price of the share-settled Performance Units and therefore 492,217 shares (first nine months 2016: 282,203 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in the first nine months 2017, by adding back €5 million of interest expense to the profit for the period attributable to equity owners of the parent (first nine months 2016: €5 million) and by including 5,022,990 of dilutive potential ordinary shares.

	1 January - 30 September 2017	1 January - 30 September 2016
<b>Diluted earnings per share</b>		
Profit for the period attributable to equity owners of the parent (Net income)	€1,856 million	€1,816 million
Weighted average number of ordinary shares outstanding (diluted) <sup>(1)</sup>	779,090,085	779,516,417
Diluted earnings per share	€2.38	€2.33

(1) Dilution assumes conversion of all potential ordinary shares

## 10. Intangible assets and property, plant and equipment

**Intangible assets** decreased by €-410 million to €11,658 million (prior year-end: €12,068 million), mainly due to the reclassification of Vector to disposal groups classified as held for sale (see Note 3 “Acquisitions and disposals”).

Intangible assets mainly relate to goodwill of €9,163 million (prior year-end: €9,425 million).

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

**Property, plant and equipment** decreased by €-369 million to €16,549 million (prior year-end: €16,918 million), principally due to the reclassification of Vector to disposal groups classified as held for sale (see Note 3 “Acquisitions and disposals”). Property, plant and equipment includes leased assets of €183 million (prior year-end: €116 million).

## 11. Investments accounted for under the equity method

**Investments accounted for under the equity method** decreased by €-59 million to €1,549 million (prior year-end: €1,608 million) and include mainly the equity investments on ASL, MBDA and ATR.

## 12. Other investments and other long-term financial assets

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

(In € million)	30 September 2017	31 December 2016
Other investments	2,427	2,091
Other long-term financial assets	1,900	1,564
<b>Total non-current other investments and other long-term financial assets</b>	<b>4,327</b>	<b>3,655</b>
<b>Current portion of other long-term financial assets</b>	<b>516</b>	<b>522</b>
<b>Total</b>	<b>4,843</b>	<b>4,177</b>

**Other investments** include the remaining participation in Dassault Aviation of €1,121 million.

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

## 13. Inventories

**Inventories** of €35,443 million (prior year-end: €29,688 million) increased by €+5,755 million. This is mainly driven by Airbus Commercial Aircraft (€+5,490 million), reflecting an increase in work in progress associated with A350 XWB and A320 ramp-up.



#### 14. Other financial assets and other financial liabilities

Composition of other financial assets:

(In € million)	30 September 2017	31 December 2016
Positive fair values of derivative financial instruments	2,470	893
Others	81	83
<b>Total non-current other financial assets</b>	<b>2,551</b>	<b>976</b>
Receivables from related companies	819	517
Positive fair values of derivative financial instruments	544	258
Others	349	482
<b>Total current other financial assets</b>	<b>1,712</b>	<b>1,257</b>
<b>Total</b>	<b>4,263</b>	<b>2,233</b>

Composition of other financial liabilities:

(In € million)	30 September 2017	31 December 2016
European Governments refundable advances	6,569	6,340
Negative fair values of derivative financial instruments	1,451	6,544
Others	354	429
<b>Total non-current other financial liabilities</b>	<b>8,374</b>	<b>13,313</b>
European Governments refundable advances	347	730
Negative fair values of derivative financial instruments	1,751	4,476
Others	653	555
<b>Total current other financial liabilities</b>	<b>2,751</b>	<b>5,761</b>
<b>Total</b>	<b>11,125</b>	<b>19,074</b>

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

## 15. Other assets and other liabilities

Composition of other assets:

(In € million)	30 September 2017	31 December 2016
Prepaid expenses	2,222	2,265
Others	101	93
<b>Total non-current other assets</b>	<b>2,323</b>	<b>2,358</b>
VAT receivables	1,913	1,589
Prepaid expenses	755	552
Other	610	435
<b>Total current other assets</b>	<b>3,278</b>	<b>2,576</b>
<b>Total</b>	<b>5,601</b>	<b>4,934</b>

Composition of other liabilities:

(In € million)	30 September 2017	31 December 2016
Other liabilities		
Customer advance payments	16,092	15,714
Others	547	565
Deferred income	246	288
<b>Total non-current other liabilities</b>	<b>16,885</b>	<b>16,567</b>
Other liabilities		
Customer advance payments	26,250	24,115
Tax liabilities (excluding income tax)	1,274	1,047
Others	2,612	2,373
Deferred income	851	917
<b>Total current other liabilities</b>	<b>30,987</b>	<b>28,452</b>
<b>Total</b>	<b>47,872</b>	<b>45,019</b>

## 16. Total equity

**Equity attributable to equity owners of the parent** (including purchased treasury shares) amounts to €11,499 million (prior year-end: €3,657 million) representing an increase of €+7,842 million. This is due to an increase in other comprehensive income of €+6,922 million, principally related to the mark to market revaluation of the hedge portfolio of €+6,767 million, and a net income for the period of €+1,851 million, partly offset by a dividend payment of €-1,043 million (€1.35 per share).

The total **number of shares** issued is 774,467,480 and 772,912,869 as of 30 September 2017 and 31 December 2016. The Company's shares are exclusively ordinary shares with a par value of €1.00.

In the first nine months 2017, the Company issued 1,554,611 new shares due to the 2016 Employee Share Ownership Plan ("ESOP") (first nine months 2016: 1,366,893 for the ESOP 2015).

During the first nine months 2017, the number of treasury stock held by the Company increased to 184,574 compared to 184,170 as of 31 December 2016. No shares were sold back to the market nor cancelled (first nine months 2016: 14,131,131 shares cancelled).

**Non-controlling interests** amount to €0 million (prior year-end: €-5 million).

## 17. Provisions

Provisions are comprised of the following:

(In € million)	30 September 2017	31 December 2016
Provisions for pensions	8,392	8,656
Other provisions	7,227	8,313
<b>Total</b>	<b>15,619</b>	<b>16,969</b>
<b>Thereof non-current portion</b>	<b>10,391</b>	<b>10,826</b>
<b>Thereof current portion</b>	<b>5,228</b>	<b>6,143</b>

**Other provisions** are presented net of programme losses against inventories and decreased by €-1,086 million.

A provision of €160 million related to restructuring measures 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 has been agreed between Airbus and the works council in June 2017. The German social plan has been agreed between Airbus and the works councils in September 2017, the reconciliation of interest is still under discussion. On this basis, there is no change in the assessment of the restructuring provision as of 30 September 2017.

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

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

## 18. Cash flows, securities and financing liabilities

### Cash flows

**Cash used for operating activities** amounts to €-2,619 million (first nine months 2016: €-2,032 million). Gross cash flow from operations (before change in other operating assets and liabilities) amounts to €+1,840 million (first nine months 2016: €+1,544 million). Change in other operating assets and liabilities amounts to €-4,459 million (first nine months 2016: €-3,576 million), mainly related to increase on inventories, partly offset by advance payments received.

**Cash (used for) provided by investing activities** amounts to €-975 million (first nine months 2016: €+392 million). This comprises the impact of purchases of intangible assets and property, plant and equipment of €-1,655 million (first nine months 2016: €-1,990 million) and payments for investments in associates and other investments and long-term financial assets of €-633 million (first nine months 2016: €-502 million). This was partly compensated by disposals for a total of €+1,219 million (first nine months 2016: €+2,360 million), which includes the sale of the defence electronics business (see Note 3 "Acquisitions and disposals").

**Cash provided by financing activities** amounts to €+581 million (first nine months 2016: €+730 million). This corresponds to changes in long-term and short-term financing liabilities of €+1,549 million (first nine months 2016: €+2,422 million), in part offset by a dividend payment of €1.35 per share which amounts to €-1,043 million (first nine months 2015: €-1,008 million).

## Securities

**Non-current securities** with a remaining maturity of more than one year increased by €+174 million to €10,071 million (prior year-end: €9,897 million). The movement is related to the cash management policy of Airbus.

**Current securities** with a remaining maturity of one year or less decreased by €-234 million to €1,317 million (prior year-end: €1,551 million).

## Financing liabilities

Composition of financing liabilities:

(In € million)	30 September 2017	31 December 2016
Bonds	7,111	6,013
Liabilities to financial institutions	1,832	2,072
Liabilities from finance leases	315	374
Loans	255	331
Others	1	1
<b>Long-term financing liabilities</b>	<b>9,514</b>	<b>8,791</b>
Liabilities to financial institutions	273	351
Liabilities from finance leases	14	15
Loans	315	332
Others	1,146	989
<b>Short-term financing liabilities</b>	<b>1,748</b>	<b>1,687</b>

The increase in **financing liabilities** is mainly related to the issuance of bonds. The increase in bonds corresponds principally to bonds issued on 5 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%.

## 19. Financial instruments

Composition of derivative financial instruments:

(In € million)	30 September 2017	31 December 2016
Non-current positive fair values	2,470	893
Current positive fair values	544	258
<b>Total positive fair values of derivative financial instruments</b>	<b>3,014</b>	<b>1,151</b>
Non-current negative fair values	-1,451	-6,544
Current negative fair values	-1,751	-4,476
<b>Total negative fair values of derivative financial instruments</b>	<b>-3,202</b>	<b>-11,020</b>
<b>Total net fair value of derivative financial instruments</b>	<b>-188</b>	<b>-9,869</b>

The volume of hedged US dollar-contracts was US\$92.3 billion as at 30 September 2017 (prior year-end US\$102.4 billion). The US dollar spot rate was 1.18 US\$/€ and 1.05 US\$/€ at 30 September 2017 and at 31 December 2016, respectively. The average US dollar hedge rate for Airbus portfolio decreased to 1.23 US\$/€ as at 30 September 2017 compared to 1.25 US\$/€ as at 31 December 2016.

### Carrying amounts and fair values

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

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

(In € million)	30 September 2017		31 December 2016	
	Book value	Fair value	Book value	Fair value
Financing liabilities				
Issued bonds and commercial papers	-7,111	-7,426	-6,013	-6,217
Liabilities to financial institutions and other financing liabilities	-3,822	-3,823	-4,076	-4,086

For certain unlisted equity investments, and put or call options linked to those investments, as well as European Governments refundable advances, no fair values can be reliably determined because the range of reasonable fair value estimates is significant and the probabilities of the various estimates within that range is significant. These instruments are therefore carried at amortised cost.

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

(In € million)	30 September 2017				31 December 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,911	0	0	1,911	1,597	0	0	1,597
Derivative instruments	0	3,014	0	3,014	0	1,148	3	1,151
Securities	11,327	61	0	11,388	11,446	2	0	11,448
Cash equivalents	2,344	1,559	0	3,903	5,513	1,535	0	7,048
<b>Total</b>	<b>15,582</b>	<b>4,634</b>	<b>0</b>	<b>20,216</b>	<b>18,556</b>	<b>2,685</b>	<b>3</b>	<b>21,244</b>
Financial liabilities measured at fair value								
Derivative instruments	0	-3,136	-12	-3,148	0	-11,009	-11	-11,020
Other liabilities	0	0	-22	-22	0	0	-38	-38
<b>Total</b>	<b>0</b>	<b>-3,136</b>	<b>-34</b>	<b>-3,170</b>	<b>0</b>	<b>-11,009</b>	<b>-49</b>	<b>-11,058</b>

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

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

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

(In € million)	Financial assets		Financial liabilities			
	Commodity swap agreements	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
<b>Balance at 1 January 2016</b>	<b>46</b>	<b>46</b>	<b>-64</b>	<b>0</b>	<b>-10</b>	<b>-74</b>
Profit or loss	-10	-10	0	0	0	0
Settlements	-25	-25	39	0	0	39
<b>Balance at 30 September 2016</b>	<b>11</b>	<b>11</b>	<b>-25</b>	<b>0</b>	<b>-10</b>	<b>-35</b>
<b>Balance at 1 January 2017</b>	<b>3</b>	<b>3</b>	<b>-28</b>	<b>-11</b>	<b>-10</b>	<b>-49</b>
Profit or loss	0	0	0	-6	0	-6
Other comprehensive income	0	0	6	0	0	6
Settlements	-3	-3	0	5	10	15
<b>Balance at 30 September 2017</b>	<b>0</b>	<b>0</b>	<b>-22</b>	<b>-12</b>	<b>0</b>	<b>-34</b>

For a description of the valuation techniques, inputs and process used in the fair value measurement of these financial instruments and a description of sensitivity analysis performed, refer to Note 35.2 of the Consolidated Financial Statements. There is no material difference between the outcome of sensitivity analysis performed at 30 September 2017, compared to the outcome disclosed in the year-end financial statements.

## 20. Litigation and claims

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

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

### WTO

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

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

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

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

#### **GPT**

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

#### **Eurofighter Austria**

In March 2012, the German public prosecutor, following a request for assistance by the Austrian public prosecutor, launched a criminal investigation into alleged bribery, tax evasion and breach of trust by current and former employees of EADS Deutschland GmbH (renamed on 1 July 2014 Airbus Defence and Space GmbH) and Eurofighter Jagdflugzeug GmbH as well as by third parties relating to the sale of Eurofighter aircraft to Austria in 2003. After having been informed of the investigation in 2012, Airbus retained the law firm Clifford Chance to conduct a fact finding independent review. Upon concluding its review, Clifford Chance presented its fact finding report to Airbus in December 2013. Airbus provided the report to the public prosecutors in Germany. Airbus Defence and Space GmbH settled with the tax authorities in August 2016 on the question of deductibility of payments made in connection with the Eurofighter Austria campaign.

In February 2017, the Austrian Federal Ministry of Defence has raised criminal allegations against Airbus Defence and Space GmbH 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. 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 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**

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

### **Other investigations**

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

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

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

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

### **21. Number of employees**

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The number of employees as at 30 September 2017 is 130,917 as compared to 133,782 as at 31 December 2016.

### **22. Subsequent events**

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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.