

Financial Statements

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Financial Statements

| 2018 |

Financial Statements

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Airbus SE IFRS Consolidated Financial Statements

Airbus SE – IFRS Consolidated Income Statement for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Revenue ⁽¹⁾	10	63,707	59,022
Cost of sales ⁽¹⁾		(54,920)	(52,149)
Gross margin ⁽¹⁾	10	8,787	6,873
Selling expenses		(861)	(872)
Administrative expenses		(1,574)	(1,567)
Research and development expenses	11	(3,217)	(2,807)
Other income	13	1,656	981
Other expenses	13	(182)	(336)
Share of profit from investments accounted for under the equity method ⁽¹⁾	12	330	311
Other income from investments	12	109	82
Profit before financial result and income taxes ⁽¹⁾		5,048	2,665
Interest income		208	189
Interest expense		(440)	(517)
Other financial result ⁽¹⁾		(531)	1,489
Total financial result ⁽¹⁾	14	(763)	1,161
Income taxes ⁽¹⁾	15	(1,274)	(1,462)
Profit for the period ⁽¹⁾		3,011	2,364
Attributable to:			
Equity owners of the parent (Net income) ⁽¹⁾		3,054	2,361
Non-controlling interests ⁽¹⁾		(43)	3
Earnings per share		€	€
Basic ⁽¹⁾	16	3.94	3.05
Diluted ⁽¹⁾	16	3.92	3.04

(1) Previous year figures are restated due to the application of IFRS 15.

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

Airbus SE – IFRS Consolidated Statement of Comprehensive Income for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Profit for the period ⁽¹⁾		3,011	2,364
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of the defined benefit pension plans		(552)	116
Change in fair value of financial assets ⁽²⁾		(249)	0
Share of change from investments accounted for under the equity method		3	61
Income tax relating to items that will not be reclassified	15	(2)	(26)
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		108	(526)
Change in fair value of cash flow hedges	35	(2,959)	10,636
Change in fair value of financial assets ⁽²⁾		(80)	396
Share of change from investments accounted for under the equity method		(11)	(3)
Income tax relating to items that may be reclassified	15	728	(2,881)
Other comprehensive income, net of tax		(3,014)	7,773
Total comprehensive income for the period ⁽¹⁾		(3)	10,137
Attributable to:			
Equity owners of the parent ⁽¹⁾		72	10,099
Non-controlling interests		(75)	38

(1) Previous year figures are restated due to the application of IFRS 15.

(2) IFRS 9 new classification category (prior year-end: change in fair value of available-for-sale financial assets).

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

Airbus SE – IFRS Consolidated Statement of Financial Position for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017	Opening 2017, restated
Assets				
Non-current assets				
Intangible assets	17	16,726	11,629	12,068
Property, plant and equipment	18	16,773	16,610	16,913
Investment property		3	3	5
Investments accounted for under the equity method ⁽¹⁾	7	1,693	1,617	1,569
Other investments and other long-term financial assets	19	3,811	4,204	3,655
Non-current contract assets ⁽¹⁾	20	65	1	0
Non-current other financial assets	23	1,108	2,980	976
Non-current other assets ⁽¹⁾	24	888	975	1,201
Deferred tax assets ⁽¹⁾	15	4,835	4,562	8,080
Non-current securities	34	10,662	10,944	9,897
Total non-current assets⁽¹⁾		56,564	53,525	54,364
Current assets				
Inventories ⁽¹⁾	21	31,891	29,737	28,107
Trade receivables ⁽¹⁾	20	6,078	5,487	6,383
Current portion of other long-term financial assets	19	489	529	522
Current contract assets ⁽¹⁾	20	789	496	469
Current other financial assets	23	1,811	1,979	1,257
Current other assets ⁽¹⁾	24	4,246	2,937	2,613
Current tax assets		1,451	914	1,110
Current securities	34	2,132	1,627	1,551
Cash and cash equivalents	34	9,413	12,016	10,143
Total current assets ⁽¹⁾		58,300	55,722	52,155
Assets and disposal group of assets classified as held for sale	6	334	202	1,148
Total assets ⁽¹⁾		115,198	109,449	107,667

(1) Previous year figures are restated due to the application of IFRS 15.

<i>(In € million)</i>	Note	2018	2017	Opening 2017, restated
Equity and liabilities				
Equity attributable to equity owners of the parent				
Capital stock		777	775	773
Share premium		2,941	2,826	2,745
Retained earnings ⁽¹⁾		5,923	4,399	2,891
Accumulated other comprehensive income		134	2,742	(4,845)
Treasury shares		(51)	(2)	(3)
Total equity attributable to equity owners of the parent		9,724	10,740	1,561
Non-controlling interests		(5)	2	(5)
Total equity ⁽¹⁾	32	9,719	10,742	1,556
Liabilities				
Non-current liabilities				
Non-current provisions ⁽¹⁾	22	11,571	9,779	10,178
Long-term financing liabilities	34	7,463	8,984	8,791
Non-current contract liabilities ⁽¹⁾	20	15,832	16,013	14,642
Non-current other financial liabilities ⁽¹⁾	23	8,009	6,704	12,965
Non-current other liabilities ⁽¹⁾	24	460	298	310
Deferred tax liabilities ⁽¹⁾	15	1,318	1,002	1,104
Non-current deferred income ⁽¹⁾		40	42	133
Total non-current liabilities ⁽¹⁾		44,693	42,822	48,123
Current liabilities				
Current provisions ⁽¹⁾	22	7,317	6,272	5,941
Short-term financing liabilities ⁽¹⁾	34	1,463	2,212	1,687
Trade liabilities ⁽¹⁾	20	16,237	13,406	12,921
Current contract liabilities ⁽¹⁾	20	26,229	25,943	25,655
Current other financial liabilities ⁽¹⁾	23	2,462	2,050	5,644
Current other liabilities ⁽¹⁾	24	5,288	3,909	3,421
Current tax liabilities		732	1,481	1,126
Current deferred income ⁽¹⁾		626	506	602
Total current liabilities ⁽¹⁾		60,354	55,779	56,997
Disposal group of liabilities classified as held for sale	6	432	106	991
Total liabilities ⁽¹⁾		105,479	98,707	106,111
Total equity and liabilities ⁽¹⁾		115,198	109,449	107,667

(1) Previous year figures are restated due to the application of IFRS 15.

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

Airbus SE – IFRS Consolidated Statement of Cash Flows for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income) ⁽¹⁾		3,054	2,361
Profit (loss) for the period attributable to non-controlling interests ⁽¹⁾		(43)	3
<i>Adjustments to reconcile profit for the period to cash provided by operating activities:</i>			
Interest income		(208)	(189)
Interest expense		440	517
Interest received		186	149
Interest paid		(292)	(501)
Income tax expense ⁽¹⁾		1,274	1,462
Income tax paid		(897)	(152)
Depreciation and amortization	9	2,444	2,298
Valuation adjustments ⁽¹⁾		(1,849)	(1,341)
Results on disposals of non-current assets		(261)	(773)
Results of investments accounted for under the equity method ⁽¹⁾		(330)	(311)
Change in current and non-current provisions ⁽¹⁾		1,952	1,018
Contribution to plan assets		(2,519)	(458)
Change in other operating assets and liabilities: ⁽¹⁾		(633)	361
Inventories		(671)	(2,112)
Trade receivables		(881)	(47)
Contract assets and liabilities		(684)	2,572
Trade liabilities		2,294	829
Other assets and liabilities and others		(691)	(881)
Cash provided by operating activities ⁽²⁾		2,318	4,444
Investing activities:			
Purchases of intangible assets, property, plant and equipment, investment property		(2,285)	(2,558)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		213	177
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	6	129	(23)
Proceeds from disposals of subsidiaries (net of cash)	6	0	377
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(707)	(913)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		597	532
Dividends paid by companies valued at equity	7	191	218
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated	6	320	893
Payments for investments in securities		(2,010)	(3,767)
Proceeds from disposals of securities		1,917	2,534
Cash (used for) investing activities		(1,635)	(2,530)

<i>(In € million)</i>	Note	2018	2017
Financing activities:			
Increase in financing liabilities	34	103	1,703
Repayment of financing liabilities	34	(2,411)	(419)
Cash distribution to Airbus SE shareholders	32	(1,161)	(1,043)
Dividends paid to non-controlling interests		0	(3)
Payments for liability for puttable instruments		179	0
Changes in capital and non-controlling interests		117	83
Change in treasury shares		(49)	0
Cash provided by (used for) financing activities		(3,222)	321
Effect of foreign exchange rate changes on cash and cash equivalents		(54)	(374)
Net increase in cash and cash equivalents		(2,593)	1,861
Cash and cash equivalents at beginning of period		12,021	10,160
Cash and cash equivalents at end of period	34	9,428	12,021
<i>thereof presented as cash and cash equivalents</i>	34	9,413	12,016
<i>thereof presented as part of disposal groups classified as held for sale</i>	6	15	5

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Cash provided by operating activities has been positively impacted by certain agreements reached with the Company's suppliers and customers relating to the settlement of claims and negotiation on payment terms.

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

Airbus SE – IFRS Consolidated Statement of Changes in Equity for the years ended 31 December 2018 and 2017

(In € million)	Equity attributable to equity holders of the parent										
	Note	Capital stock	Share premium	Retained earnings	Accumulated other comprehensive income			Treasury shares	Non-controlling interests	Total equity	
					Financial assets at fair value	Cash flow hedges	Foreign currency translation adjustments				
Balance at 31 December 2016, as reported		773	2,745	4,987	770	(7,153)	1,538	(3)	3,657	(5)	3,652
Restatements ⁽¹⁾		0	0	(2,096)	0	0	0	0	(2,096)	0	(2,096)
Balance at 1 January 2017, restated ⁽¹⁾		773	2,745	2,891	770	(7,153)	1,538	(3)	1,561	(5)	1,556
Profit for the period ⁽¹⁾		0	0	2,361	0	0	0	0	2,361	3	2,364
Other comprehensive income		0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income for the period ⁽¹⁾		0	0	2,512	369	7,757	(539)	0	10,099	38	10,137
Capital increase	32	2	81	0	0	0	0	0	83	0	83
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 treasury shares	32	0	0	0	0	0	0	1	1	0	1
Balance at 31 December 2017, restated ⁽¹⁾		775	2,826	4,399	1,139	604	999	(2)	10,740	2	10,742
Restatements ⁽¹⁾⁽²⁾		0	0	187	(367)	172	0	0	(8)	0	(8)
Balance at 1 January 2018, restated ⁽¹⁾⁽²⁾		775	2,826	4,586	772	776	999	(2)	10,732	2	10,734
Profit for the period		0	0	3,054	0	0	0	0	3,054	(43)	3,011
Other comprehensive income		0	0	(569)	(280)	(2,249)	116	0	(2,982)	(32)	(3,014)
Total comprehensive income for the period		0	0	2,485	(280)	(2,249)	116	0	72	(75)	(3)
Capital increase	32	2	115	0	0	0	0	0	117	0	117
Share-based payment (IFRS 2)	30	0	0	62	0	0	0	0	62	0	62
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	32	0	0	(1,161)	0	0	0	0	(1,161)	0	(1,161)
Equity transaction (IAS 27)		0	0	(49)	0	0	0	0	(49)	68	19
Change in non-controlling interests		0	0	0	0	0	0	0	0	0	0
Change in treasury shares	32	0	0	0	0	0	0	(49)	(49)	0	(49)
Balance at 31 December 2018		777	2,941	5,923	492	(1,473)	1,115	(51)	9,724	(5)	9,719

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Opening balance figures are restated due to the application of IFRS 9.

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

2

Notes to the IFRS Consolidated Financial Statements

2.1 Basis of Preparation

1. The Company

The accompanying IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** 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. The Company reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see “– Note 9: Segment Information”). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The IFRS Consolidated Financial Statements were authorised for issue by the Company’s Board of Directors on 13 February 2019.

2. Significant Accounting Policies

Basis of preparation — The Company’s Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”) as endorsed by the European Union (“EU”) and Part 9 of Book 2 of the Netherlands Civil Code. When reference is made to IFRS, this intends to be EU-IFRS. The Consolidated Financial Statements have been prepared on a historical cost basis, unless otherwise indicated. They are prepared and reported in euro (“€”) and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company describes the accounting policies applied in each of the individual notes to the financial statements and avoids repeating the text of the standard, unless this is considered relevant to the understanding of the note’s content. On 1 January 2018, the Company has implemented the new standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”. As a result, the Company has changed its accounting policies for revenue recognition and for the accounting of financial instruments, as detailed in “– Note 4: Change in Accounting Policies and Disclosures”. The most significant accounting policies are described below, and have been updated accordingly.

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

Revenue from the sale of commercial aircraft is recognised at a point in time (*i.e.* at the delivery of the aircraft). The Company estimates the amount of price concession as a reduction of both revenue and cost of sales.

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

The Company transfers control over time when:

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

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

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

Provisions for onerous contracts — The Company records provisions for onerous contracts when it becomes probable that the total contract costs will exceed total contract revenue. Before a provision for onerous contracts is recorded, the related assets under construction are measured at their net realisable value and written-off if necessary. Onerous contracts are identified by monitoring the progress of the contract together with the underlying programme status. An estimate of the related contract costs is made, which requires significant and complex assumptions, judgements and estimates related to achieving certain performance standards as well as estimates involving warranty costs (see “– Note 3: Key Estimates and Judgements”, “– Note 10: Revenue and Gross Margin” and “– Note 22: Provisions, Contingent Assets and Contingent Liabilities”).

Research and development expenses — 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;
- the Company intends to produce and market or use the developed product or process and can demonstrate its profitability.

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

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

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

Transactions in foreign currency, *i.e.* transactions in currencies other than the functional currency of an entity of the Company, are translated into the functional currency at the foreign exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are remeasured into the functional currency at the exchange rate in effect at that date. Except when deferred in equity as qualifying cash flow hedges (see “– Note 35: Information about Financial Instruments”), these foreign exchange remeasurement gains and losses are recognised, in line with the underlying item:

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

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

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

In order to manage and mitigate those risks, the Company enters into derivative contracts. The Company applies 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 the Company’s derivative contracts is accounted for under the cash flow hedge model. The fair value hedge model is used only for certain interest rate derivatives. Derivative contracts which do not qualify for hedge accounting are accounted for at fair value through profit and loss; any related gains or losses being recognised in financial result.

The Company’s hedging strategies and hedge accounting policies are described in more detail in “– Note 35: Information about Financial Instruments”.

3. Key Estimates and Judgements

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

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

The management of the operating Divisions continually review all estimates involved in such performance obligations and adjusts them as necessary (see “– Note 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities”).

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

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

Estimates and judgements are subject to change based on new information as contracts and related programmes progress. Furthermore, the complex design and manufacturing processes of the Company's industry require challenging integration and coordination along the supply chain including an ongoing assessment of suppliers' assertions which may additionally impact the outcome of these monitoring processes (see “– Note 10: Revenue and Gross Margin” and “– Note 22: Provisions, Contingent Assets and Contingent Liabilities”).

Employee benefits — The Company accounts for pension and other post-retirement benefits in accordance with actuarial valuations. These valuations rely on statistical and other factors in order to anticipate future events. The actuarial assumptions may differ materially from actual developments due to changing market and economic conditions and therefore result in a significant change in post-retirement employee benefit obligations and the related future 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 the Company. 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 the Airbus companies or the disclosure of any such suit or assertion, does not automatically indicate that a provision may be appropriate.

Income taxes — The Company operates and earns income in numerous countries and is subject to changing tax laws in multiple jurisdictions within these countries. Significant judgements are necessary in determining the worldwide income tax liabilities. Although management believes that it has made reasonable estimates about the final outcome of tax uncertainties, no assurance can be given that the final tax outcome of these matters will be consistent with what is reflected in the historical income tax provisions. At each end of the reporting period, the Company assesses whether the realisation of future tax benefits is probable to recognise deferred tax assets. This assessment requires the exercise of judgement on the part of management with respect to, among other things, benefits that could be realised from available tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced, through valuation allowances recognition, if estimates of projected future taxable income and benefits from available tax strategies are lowered, or if changes in current tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilise future tax benefits. The basis for the recoverability test of deferred tax assets is the same as the Company's latest operative planning also taking into account certain qualitative aspects regarding the nature of the temporary differences. Qualitative factors include but are not limited to an entity's history of planning accuracy, performance records, business model, backlog, existence of long-term contracts as well as the nature of temporary differences (see “– Note 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 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities”).

4. Change in Accounting Policies and Disclosures

The accounting policies applied by the Company for preparing its 2018 year-end Consolidated Financial Statements are the same as applied for the previous year, except for the first application of the new standards described below. Amendments, improvements to and interpretations of standards effective from 1 January 2018 have no material impact on the Consolidated Financial Statements.

New, Revised or Amended IFRS Standards and Interpretations Applied from 1 January 2018

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 replaced the former revenue recognition standards IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of control of the promised goods or services (performance obligations) in an amount that reflects the consideration to which that entity is entitled.

The Company adopted the new standard on 1 January 2018, using the full retrospective transition method. Accordingly, the Company restated the comparative 2017 results included in the 2018 IFRS Consolidated Financial Statements. The opening equity was restated as of 1 January 2017.

The Company has elected the practical expedients for completed contracts and contract modifications. As a result, the Company has not restated completed contracts which began and ended within 2017 or which were completed at the beginning of 1 January 2017. The Company used transaction prices at the date contracts were completed rather than estimating variable consideration amounts in the comparative reporting periods. The Company has reflected the aggregate effect of all of the modifications that occur before 1 January 2017 in identifying the performance obligations, determining and allocating the transaction price.

The application of those practical expedients allows an efficient implementation of the standard especially on complex transactions (e.g. contractual amendments on military contracts) and a provision of relevant information under IFRS 15.

The Company has used the practical expedient applicable to the disclosure on the amount of the transaction price allocated to the remaining performance obligations (*i.e.* backlog) and an explanation of when it expects to recognise the amount as revenue without any comparative information.

The Company revised its accounting policies relative to revenue recognition, to implement IFRS 15 as described in “– Note 2: Significant Accounting Policies”. The most significant changes result from the following:

- Several performance obligations are identified instead of recognising a single contract margin under IAS 11 (e.g. A400M, NH90 contracts). In some cases, the over time method (PoC method) revenue recognition criteria are not fulfilled under IFRS 15. In particular, for A350 launch contracts, A400M series production and certain NH90 contracts, revenue and production costs relative to the manufacture of aircraft are recognised at a point in time (e.g. upon delivery of the aircraft to the customer).
- Under IFRS 15, measurement of the revenue takes 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 (A400M) generates a decrease in recognised revenue.
- For the application of the over time method (PoC method), the Company measures its progress towards complete satisfaction of performance obligations based on inputs (*i.e.* cost incurred) rather than on outputs (*i.e.* milestones achieved). For the Company's current long-term construction contracts, progresses were usually measured based on milestones achieved (e.g. Tiger programme, satellites, orbital infrastructures). Under IFRS 15, the Company measures progress of work performed using a cost-to-cost approach, whenever control of the work performed transfers to the customer over time.

IFRS 15 also impacts the presentation of the revenue from the sales of engines. Under IAS 18, the Company recognised revenue based on the amount of its contracts with its customers, unless it had confirmation of the amount of the price concession. In contrast, IFRS 15 requires the Company 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 decrease by the amount of the estimated concession granted by the Company's engine supplier to their customers.

In addition to these changes, IFRS 15 introduced a new class of assets and liabilities “contract assets” and “contract liabilities”.

- A contract asset represents the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer when that right is conditioned by something other than the passage of time (e.g. revenue recognised from the application of the PoC method before the Company has a right to invoice. Prior to the implementation of IFRS 15, unbilled revenue was reported within “trade receivables”).
- A contract liability represents the Company's obligation to transfer goods or services to a customer for which the customer has paid a consideration (e.g. contract liabilities mainly include the customer advance payments received which were reported prior to the implementation of IFRS 15 within “other liabilities”).

For any individual contract, either a contract asset or a contract liability is presented on a net basis.

The distinction between non-current and current presentation remains unchanged.

The following tables summarise the impacts on the comparative information resulting from the change in revenue recognition principles:

Consolidated Statement of Financial Position as at 31 December 2017:

<i>(In € million)</i>	As previously reported	IFRS 15	As restated
Assets			
Non-current assets			
Intangible assets	11,629	0	11,629
Property, plant and equipment	16,610	0	16,610
Investment property	3	0	3
Investments accounted for under the equity method	1,678	(61)	1,617
Other investments and other long-term financial assets	4,204	0	4,204
Non-current contract assets	0	1	1
Non-current other financial assets	2,980	0	2,980
Non-current other assets	2,295	(1,320)	975
Deferred tax assets	3,598	964	4,562
Non-current securities	10,944	0	10,944
Total non-current assets	53,941	(416)	53,525
Current assets			
Inventories	31,464	(1,727)	29,737
Trade receivables	8,358	(2,871)	5,487
Current portion of other long-term financial assets	529	0	529
Current contract assets	0	496	496
Current other financial assets	1,979	0	1,979
Current other assets	2,907	30	2,937
Current tax assets	914	0	914
Current securities	1,627	0	1,627
Cash and cash equivalents	12,016	0	12,016
Total current assets	59,794	(4,072)	55,722
Assets and disposal group of assets classified as held for sale	202	0	202
Total assets	113,937	(4,488)	109,449
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	775	0	775
Reserves	9,833	(2,608)	7,225
Accumulated other comprehensive income	2,742	0	2,742
Treasury shares	(2)	0	(2)
Total equity attributable to equity owners of the parent	13,348	(2,608)	10,740
Non-controlling interests	3	(1)	2
Total equity	13,351	(2,609)	10,742
Liabilities			
Non-current liabilities			
Non-current provisions	10,153	(374)	9,779
Long-term financing liabilities	8,984	0	8,984
Non-current contract liabilities	0	16,013	16,013
Non-current other financial liabilities	6,948	(244)	6,704
Non-current other liabilities	17,190	(16,892)	298
Deferred tax liabilities	981	21	1,002
Non-current deferred income	199	(157)	42
Total non-current liabilities	44,455	(1,633)	42,822
Current liabilities			
Current provisions	6,575	(303)	6,272
Short-term financing liabilities	2,212	0	2,212
Trade liabilities	13,444	(38)	13,406
Current contract liabilities	0	25,943	25,943
Current other financial liabilities	2,185	(135)	2,050
Current other liabilities	29,193	(25,284)	3,909
Current tax liabilities	1,481	0	1,481
Current deferred income	935	(429)	506
Total current liabilities	56,025	(246)	55,779
Disposal group of liabilities classified as held for sale	106	0	106
Total liabilities	100,586	(1,879)	98,707
Total equity and liabilities	113,937	(4,488)	109,449

(1) Including reclassification between contract assets, current and non-current contract liabilities compared to previously reported in the 2018 interim financial statements.

Consolidated Statement of Financial Position as at 1 January 2017:

<i>(In € million)</i>	As previously reported	IFRS 15	As restated
Assets			
Non-current assets			
Intangible assets	12,068	0	12,068
Property, plant and equipment	16,913	0	16,913
Investment property	5	0	5
Investments accounted for under the equity method	1,608	(39)	1,569
Other investments and other long-term financial assets	3,655	0	3,655
Non-current contract assets	0	0	0
Non-current other financial assets	976	0	976
Non-current other assets	2,358	(1,157)	1,201
Deferred tax assets	7,557	523	8,080
Non-current securities	9,897	0	9,897
Total non-current assets	55,037	(673)	54,364
Current assets			
Inventories	29,688	(1,581)	28,107
Trade receivables	8,101	(1,718)	6,383
Current portion of other long-term financial assets	522	0	522
Current contract assets	0	469	469
Current other financial assets	1,257	0	1,257
Current other assets	2,576	37	2,613
Current tax assets	1,110	0	1,110
Current securities	1,551	0	1,551
Cash and cash equivalents	10,143	0	10,143
Total current assets	54,948	(2,793)	52,155
Assets and disposal group of assets classified as held for sale	1,148	0	1,148
Total assets	111,133	(3,466)	107,667
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock	773	0	773
Reserves	7,732	(2,096)	5,636
Accumulated other comprehensive income	(4,845)	0	(4,845)
Treasury shares	(3)	0	(3)
Total equity attributable to equity owners of the parent	3,657	(2,096)	1,561
Non-controlling interests	(5)	0	(5)
Total equity	3,652	(2,096)	1,556
Liabilities			
Non-current liabilities			
Non-current provisions	10,826	(648)	10,178
Long-term financing liabilities	8,791	0	8,791
Non-current contract liabilities	0	14,642	14,642
Non-current other financial liabilities	13,313	(348)	12,965
Non-current other liabilities	16,279	(15,969)	310
Deferred tax liabilities	1,292	(188)	1,104
Non-current deferred income	288	(155)	133
Total non-current liabilities	50,789	(2,666)	48,123
Current liabilities			
Current provisions	6,143	(202)	5,941
Short-term financing liabilities	1,687	0	1,687
Trade liabilities	12,532	389	12,921
Current contract liabilities	0	25,655	25,655
Current other financial liabilities	5,761	(117)	5,644
Current other liabilities	27,535	(24,114)	3,421
Current tax liabilities	1,126	0	1,126
Current deferred income	917	(315)	602
Total current liabilities	55,701	1,296	56,997
Disposal group of liabilities classified as held for sale	991	0	991
Total liabilities	107,481	(1,370)	106,111
Total equity and liabilities	111,133	(3,466)	107,667

Consolidated Income Statement for the year ended 31 December 2017:

<i>(In € million)</i>	As previously reported	IFRS 15	As restated
Revenue	66,767	(7,745)	59,022
Cost of sales	(59,160)	7,011	(52,149)
Gross margin	7,607	(734)	6,873
Selling expenses	(872)	0	(872)
Administrative expenses	(1,567)	0	(1,567)
Research and development expenses	(2,807)	0	(2,807)
Other income	981	0	981
Other expenses	(336)	0	(336)
Share of profit from investments accounted for under the equity method	333	(22)	311
Other income from investments	82	0	82
Profit before financial result and income taxes	3,421	(756)	2,665
Interest income	189	0	189
Interest expense	(517)	0	(517)
Other financial result	1,477	12	1,489
Total financial result	1,149	12	1,161
Income taxes	(1,693)	231	(1,462)
Profit for the period	2,877	(513)	2,364
Attributable to:			
Equity owners of the parent (Net income)	2,873	(512)	2,361
Non-controlling interests	4	(1)	3
Earnings per share			
Basic	3.71	(0.66)	3.05
Diluted	3.70	(0.66)	3.04

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 Company adopted the new standard on 1 January 2018 and has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence, any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the reporting period, with the difference recognised in opening equity.

Classification and Measurement

From 1 January 2018, the Company classifies its financial assets according to IFRS 9 using the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through OCI or through profit and loss).

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

- (i) Equity investments that are not held for trading. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) are recognised in OCI. Unlike the treatment of “available-for-sale” equity investments under IAS 39, amounts presented in OCI are not subsequently transferred to profit and loss on derecognition of the equity investment nor in the event of an impairment. The Company has remeasured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using valuation methods such as net asset values or a comparable company valuation multiples technique.
- (ii) Debt instruments where contractual cash flows are solely payments of principal and interest, and that are held both for sales and collecting contractual cash flows. These instruments include the bond securities portfolio and are measured in a manner similar to the “available-for-sale” debts instruments under IAS 39.

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

The impact of IFRS 9 on the classification and measurement of financial assets is set out in the “measurement categories of financial instruments” table.

Impairment

From January 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through OCI. The Company applies the low credit risk exemption allowing the Company to assume that there is no significant increase in credit risk since initial recognition of a financial instrument, if the instrument is determined to have low credit risk at the reporting date. Similarly, the Company has determined that its trade receivables and contract assets generally have low credit risk. The Company has applied the simplified approach permitted by IFRS 9 of measuring expected credit losses of trade receivables and contract assets on a lifetime basis from initial recognition.

Hedge Accounting

Hedging instruments in place as at 31 December 2017 qualify as hedges under IFRS 9. The Company’s risk management strategies and hedge documentation are aligned with the requirement of the new standard and hedge accounting continues to apply.

With the adoption of IFRS 9, the Company accounts for changes in the time value of its foreign currency options as a cost of hedging through OCI and recognises them as a separate component of equity. The cumulative cost-of-hedging will be reclassified to profit or loss when the hedged transaction affects profit or loss.

Applying the cost-of-hedging guidance to foreign currency options retrospectively results in an increase of the 2018 opening balance of AOCI by €+172 million on a net of tax basis and a corresponding decrease of the opening balance of retained earnings. As a result, retrospective application does not change the total equity as of 1 January 2018 that would otherwise have been reported.

New Hedge Strategy

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

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month. In contrast to the first flow approach that was previously used (which is described in “– Note 35.1: Financial Risk Management”), the new strategy assigns the hedging instruments to a specified number of monthly deliveries of a specific aircraft type and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

If such a shift in hedged deliveries occurs, hedge ineffectiveness will arise to the extent the maturities of the hedging instrument and the expected timing of the hedged cash flows are no longer perfectly aligned. In order to minimise such ineffectiveness the Company will close the timing gap by rolling over hedges to new maturities, using foreign exchange swap contracts. The hedge results will move along with the hedged deliveries. In addition, the Company will designate the risk of changes in the spot element as the hedged risk in order to eliminate the ineffectiveness resulting from changes in forward points between different maturities. The forward element will be accounted for as a cost of hedging similar to the time value of options.

According to the prospective application requirement of IFRS 9, the fair values of the legacy portfolio in place at inception of the new strategy continue to be assigned to the previous first flow hedge regime and remain in the hedge reserve in OCI, to be recognised in profit and loss only at maturity of the originally hedged cash flows (unless those cash flows are no longer expected to occur).

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

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

The hedging strategies otherwise used by the group are essentially the same as those used before transition to IFRS 9 and are described in detail in “– Note 35.1: Financial Risk Management”. In some cases, the currency basis spread was excluded from the hedge on transition to IFRS 9 in order to improve hedge effectiveness. Changes in the currency basis spread will be accounted for as a cost of hedging similar to the time value of options. This change in the hedge designation had no impact on OCI or equity as of 1 January 2018, nor will it affect future profit and loss when the hedges mature (unless exceptional circumstances apply).

IFRS 9 Total Equity Impacts

The total impact on the Company’s equity due to IFRS 9 as at 1 January 2018 is as follows:

<i>(In € million)</i>	1 January 2018
Opening equity - IAS 39	10,742
Increase in expected loss allowance for trade receivables and contract assets	(7)
Increase in expected loss allowance for other financial assets	(4)
Deferred tax effects	3
Adjustments to equity from adoption of IFRS 9	(8)
Opening equity - IFRS 9	10,734

The following table shows the measurement categories of financial instruments:

<i>(In € million)</i>	Measurement categories according to IAS 39	Carrying amount according to IAS 39 at 31 December 2017	Measurement categories according to IFRS 9	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	2,441	Fair value through OCI Fair value through profit and loss	1,088 1,353
Customer financing	Loans and receivables	771	Fair value through profit and loss	771
Other loans	Loans and receivables	1,521	Amortised cost	1,521
Trade receivables ⁽¹⁾	Loans and receivables	5,487	Amortised cost	5,487
Contract assets	Loans and receivables	497	Amortised cost	497
Other financial assets				
Derivative instruments ⁽²⁾	Fair value through profit and loss	3,564	Fair value through profit and loss	3,564
Non-derivative instruments	Loans and receivables	1,395	Amortised cost	1,395
Securities	Available-for-sale	12,571	Fair value through OCI	12,571
	Fair value through profit and loss	6,256	Fair value through profit and loss	6,256
Cash and cash equivalents	Available-for-sale	2,085	Fair value through OCI Fair value through profit and loss	900 1,185
	Loans and receivables	3,675	Amortised cost	3,675
Total ⁽¹⁾		40,263		40,263
Liabilities				
Financing liabilities				
Bonds and commercial papers	Amortised cost	(7,063)	Amortised cost	(7,063)
Liabilities to financial institutions and others ⁽¹⁾	Amortised cost	(3,792)	Amortised cost	(3,792)
Finance lease liabilities	Other	(342)	Other	(342)
Other financial liabilities				
Derivative instruments ⁽²⁾	Fair value through profit and loss	(2,271)	Fair value through profit and loss	(2,271)
European Governments' refundable advances	Amortised cost	(5,901)	Amortised cost	(5,901)
Others ⁽¹⁾	Amortised cost	(582)	Amortised cost	(582)
Trade liabilities ⁽¹⁾	Amortised cost	(13,406)	Amortised cost	(13,406)
Total ⁽¹⁾		(33,357)		(33,357)

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Most derivative instruments are designated as hedging instruments in cash flow hedges.

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 2018 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 16 "Leases"	1 January 2019	Endorsed
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019	Endorsed
Amendments to IAS 19: Plan amendment, curtailment or settlement	1 January 2019	Not yet endorsed
Amendments to IAS 28: Long-term interests in associates and joint ventures	1 January 2019	Endorsed
Annual improvements to IFRS standards 2015-2017	1 January 2019	Not yet endorsed
Amendments to IFRS 3: Definition of a business	1 January 2020	Not yet endorsed
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020	Not yet endorsed

IFRS 16 “Leases”

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

There are exemptions for short-term leases and leases of low-value assets. Lessor accounting remains comparable to that provided by the existing leases standard lessors continue to classify their leases as operating leases or finance leases. The standard shall be applied for the first time in the first reporting period of a fiscal year that begins on or after 1 January 2019.

The transition to the new lease accounting from the existing rules will be accomplished using the modified retrospective method according to IFRS 16, therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company intends to use the following practical expedients provided by the standard at transition date:

- The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease will be maintained for existing contracts, in accordance with IFRS 16,
- On initial application of IFRS 16 to operating leases, the right-of-use to the leased asset will generally be measured at the amount of the lease liability, using the discount rate at the date of initial application. Where accrued lease liabilities existed, the right-of-use asset will be adjusted by the amount of the accrued lease liability under IFRS 16. Under IFRS 16, the measurement of the right-of-use at initial application will not include initial direct costs. In some cases, the value of right-of-use assets may differ from the value of the liabilities due to offsetting against existing provisions or as a result of valuation allowances,
- Not to apply the new recognition requirements to short-term leases and to leases of low value assets as soon as the new standard is effective.

The Company’s operating leases mainly relate to real estate assets, company cars and equipment. The Company has finalised the implementation of a software to be used both to manage the Company’s leases and to generate IFRS 16 calculations. So far, the most significant potential impact identified by the Company relates to its operating leases of real estate assets (such as land, warehouses, storage facilities and offices).

The final impact of IFRS 16 on the Company’s Consolidated Financial Statements in the period of initial application will depend on future economic conditions, including incremental borrowing rates to be applied for the computation of the lease liability present value as of 1 January 2019, the composition of the lease portfolio at that date and the estimation of the lease terms, as extension and early termination options offered by lease agreements will need to be included in the calculation of the liability if their exercise or non-exercise is considered reasonably certain.

The analysis conducted as part of the Company wide project on initial application resulted in the probable recognition of lease liabilities totalling from € 1.2 billion to € 1.5 billion (1 January 2019) as a result of the transition. Net cash will decrease accordingly due to the increase in lease liabilities. The impact of applying IFRS 16 on profit before finance costs and income taxes and profit for the period will not be significant. The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

IFRIC 23 “Uncertainty over Income Tax Treatments”

On May 2017, the IASB issued IFRIC 23 “Uncertainty over Income Tax Treatments”. The interpretation clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. In assessing the uncertainty, an entity shall consider whether it is probable that a taxation authority will accept the uncertain tax treatment. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019, while earlier application is permitted.

The Company is currently assessing the impacts of adopting the interpretation on the Company’s Consolidated Financial Statements which might trigger some reclassification from provisions to tax liabilities.

2.2 Airbus Structure

5. Scope of Consolidation

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

Subsidiaries are entities controlled by the Company including so-called structured entities, which are created to accomplish a narrow and well-defined objective (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 entity is performed in three steps. In a first step, the Company identifies the relevant activities of the structured entities (which may include managing lease receivables, managing the sale or re-lease at the end of the lease and managing the sale or re-lease on default) and in a second step, the Company assesses which activity is expected to have the most significant impact on the structured entities' return. Finally, the Company determines which party or parties control this activity.

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

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

PERIMETER OF CONSOLIDATION

	31 December	
<i>(Number of companies)</i>	2018	2017
Fully consolidated entities	189	207
Investments accounted for under the equity method		
in joint ventures	45	40
in associates	19	23
Total	253	270

For more details related to unconsolidated and consolidated structured entities, 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 the Company.

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

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

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

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

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

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

6.1 Acquisitions

On 16 October 2017, Airbus, Bombardier Inc. ("Bombardier") and Investissement Québec ("IQ") signed an agreement that brings together Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family. Under the agreement, Airbus 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. The partnership brings together two complementary product lines.

On 8 June 2018, having received all required regulatory approvals, Airbus, Bombardier and IQ closed the C Series transaction effective on 1 July 2018.

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

Bombardier will continue with its current funding plan of CSALP. Bombardier will fund the cash shortfalls of CSALP, if required, during the second half of 2018, up to a maximum of US\$ 225 million; during 2019, up to a maximum of US\$ 350 million; and up to a maximum aggregate amount of US\$ 350 million over the following two years, in consideration for non-voting participating Class B common units of CSALP. Airbus has the choice to reimburse Bombardier's funding for the nominal amount plus a yearly 2% interest or for an amount equal to the fair value of the shares of CSALP at the purchase date of Class A ownership units.

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

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

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

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

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

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

- (1) Intangible assets: Mainly include the acquired technology for the A220 programme. The fair value of the programme was measured using the "multi-excess earnings method" and is equal to the present value of the after-tax cash flows attributable to future deliveries excluding existing contracts in the backlog which are valued separately. The technology will be amortised over the expected number of aircraft to be delivered over the programme useful life.
- (2) Inventories: The fair value of the inventories has been measured considering net contractual selling prices.
- (3) Acquired customer contracts: This represents the present value of the excess of expected fulfilment costs over contractual selling prices for all acquired customer contracts in the backlog. Estimated fulfilment costs include both direct costs that will be recognised in gross margin and contributory asset charges to reflect the return required on other assets that contribute to the generation of the forecast cash flows. This liability will be released as a reduction of cost of sales based on the delivered aircraft considered in the measurement of the liability.
- (4) Non-controlling interests: Airbus has recognised a financial liability at fair value for the estimated exercise price of the written put options on non-controlling interests (Bombardier put option and IQ tag along). According to the accounting policy of the company, changes in the fair value of the liability are recognised directly in equity.
- (5) Consideration transferred: Airbus paid US\$ 1 per share (754 shares) to acquire 50.01% of CSALP and received 100,000,000 warrants which are each entitled to one Class B Bombardier common share at a strike price equal to the US equivalent of Can\$ 2.29. The fair value amounted to US\$ 263 million as at 1 July 2018. As a result, the consideration transferred is negative.
- (6) Goodwill: The goodwill mostly represents Airbus specific synergies expected from the acquisition, which have been excluded from the fair value measurement of the identifiable net assets. These synergies mainly relate to higher expected volumes of aircraft sold and lower manufacturing costs. CSALP is part of the cash generating unit ("CGU") Airbus and will be tested for impairment on an annual basis. The opening balance sheet after purchase price allocation of CSALP has been audited as at 1 July 2018. In accordance with IFRS 3 "Business Combinations", the opening balance sheet of CSALP might vary during the 12 month allocation period which ends 1 July 2019. Airbus will retrospectively adjust the initial accounting to reflect new information that would have affected the recognition or the measurement of these amounts as of 1 July 2018.

6.2 Disposals

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

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

On 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.

The **ArianeGroup** (formerly Airbus Safran Launchers, "ASL") 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").

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.

6.3 Assets and Disposal Groups Classified as Held for Sale

As of 31 December 2018, the Company accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 334 million (2017: € 202 million). **Disposal group of liabilities classified as held for sale** as of 31 December 2018 amount to € 432 million (2017: € 106 million). In 2018 and 2017, it is related to Alestis Areospace S.L and to non-core businesses entities within Airbus Defence and Space, respectively.

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

<i>(In € million)</i>	31 December	
	2018	2017
Non-current assets	232	100
Inventories	21	16
Trade receivables	63	74
Other assets	2	7
Cash and cash equivalents	16	5
Assets and disposal groups of assets classified as held for sale	334	202
Provisions	3	19
Non-current financing liabilities	201	0
Trade liabilities	42	16
Other liabilities	186	71
Disposal groups of liabilities classified as held for sale	432	106

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

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

<i>(In € million)</i>	2018	2017
Total selling price received by cash and cash equivalents	325	1,298
Cash and cash equivalents included in the disposed subsidiaries	(5)	(28)
Total	320	1,270

The aggregate cash flows from disposals of subsidiaries and assets and disposals groups classified as held for sale in 2018 result mainly from the sale of Plant Holdings, Inc. and CESA. In 2017, they result mainly from the sale of the defence electronics business, the sale of Vector and the completion of ArianeGroup.

7. Investments Accounted for under the Equity Method

<i>(In € million)</i>	31 December	
	2018	2017
Investments in joint ventures ⁽¹⁾	1,484	1,424
Investments in associates	209	193
Total ⁽¹⁾	1,693	1,617

(1) Previous year figures are restated due to the application of IFRS15.

Investments accounted for under the equity method increased by € +76 million to € 1,693 million (2017 (restated): € 1,617 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR GIE.

7.1 Investments in Joint Ventures

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

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

<i>(In € million)</i>	2018	2017
Carrying amount of the investment at 1 January ⁽¹⁾	1,424	1,398
Share of results from continuing operations ⁽¹⁾	291	274
Share of other comprehensive income	(15)	53
Dividends received during the year	(182)	(255)
Others ⁽²⁾	(34)	(46)
Carrying amount of the investment at 31 December ⁽¹⁾	1,484	1,424

(1) Previous year figures are restated due to the application of IFRS15.

(2) In 2018, it includes the impact of the disposal of Aquitaine. In 2017, it includes the impact of the finalisation of the ArianeGroup joint venture transaction, see "– Note 6: Acquisitions and Disposals".

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

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

The Company holds a 37.5% stake in **MBDA** at 31 December 2018 and 2017, which is a joint venture between the Company, 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 Leonardo (formerly Finmeccanica) group company and the Company. Both Leonardo and the Company provide airframes which are assembled by ATR GIE in France. The members of ATR GIE are legally entitled exclusively to the benefits and are liable for the commitments of the Company. ATR GIE is obliged to transfer its cash to each member of the joint venture.

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

<i>(In € million)</i>	ArianeGroup		MBDA		ATR GIE	
	2018	2017	2018	2017	2018	2017
Revenue ⁽¹⁾	3,587	3,221	3,164	2,982	1,498	1,600
Depreciation and amortisation	(128)	(112)	(107)	(95)	(19)	(42)
Interest income	5	2	9	9	0	0
Interest expense ⁽¹⁾	(3)	(9)	(6)	(6)	0	0
Income tax expense ⁽¹⁾	(83)	(58)	(99)	(92)	(3)	(7)
Profit from continuing operations ⁽¹⁾	251	228	239	201	193	265
Other comprehensive income	(14)	38	5	145	0	0
Total comprehensive income (100%) ⁽¹⁾	237	266	244	346	193	265
Non-current assets ⁽¹⁾	5,748	5,578	2,437	2,385	172	159
Current assets ⁽¹⁾	6,626	5,360	7,654	6,728	674	743
<i>thereof cash and cash equivalents</i>	<i>507</i>	<i>807</i>	<i>2,658</i>	<i>2,818</i>	<i>3</i>	<i>8</i>
Non-current liabilities	688	495	1,046	1,145	87	131
<i>thereof non-current financial liabilities (excluding trade and other payables and provisions)</i>	<i>137</i>	<i>31</i>	<i>9</i>	<i>0</i>	<i>0</i>	<i>0</i>
Current liabilities ⁽¹⁾	7,514	6,448	8,462	7,537	460	426
<i>thereof current financial liabilities (excluding trade and other payables and provisions)</i>	<i>28</i>	<i>36</i>	<i>6</i>	<i>55</i>	<i>0</i>	<i>0</i>
Total equity (100%) ⁽¹⁾	4,172	3,995	583	431	299	345
Equity attributable to the equity owners of the parent ⁽¹⁾	4,157	3,988	583	431	299	345
Non-controlling interests	15	7	0	0	0	0

(1) Previous year figures are restated due to the application of IFRS 15.

<i>(In € million)</i>	ArianeGroup		MBDA		ATR GIE	
	2018	2017	2018	2017	2018	2017
The Company's interest in equity on investee ⁽¹⁾	2,078	1,994	218	162	150	173
Goodwill	244	244	282	282	0	0
PPA adjustments, net of tax	(1,519)	(1,520)	0	0	0	0
The Company DS PPA (including 2016 A6 catch-up)	(37)	(17)	0	0	0	0
Contingent liability release adjustment	(25)	(15)	0	0	0	0
Fair value adjustments and modifications for differences in accounting policies ⁽¹⁾	(21)	10	(11)	(12)	0	0
Dividend adjustment	0	0	(26)	(35)	0	0
Elimination of downstream inventory	2	2	0	0	(4)	(4)
Carrying amount of the investment at 31 December ⁽¹⁾	722	698	463	397	146	169

(1) Previous year figures are restated due to the application of IFRS 15.

The development of these investments is as follow: ⁽¹⁾

<i>(In € million)</i>	ArianeGroup		MBDA		ATR GIE	
	2018	2017	2018	2017	2018	2017
Carrying amount of the investment at 1 January	698	694	397	320	169	224
Share of results from continuing operations	88	68	91	76	98	133
Share of other comprehensive income	(8)	13	(1)	54	4	(14)
Dividends received during the year	(26)	(25)	(26)	(53)	(125)	(174)
Changes in consolidation	0	0	0	0	0	0
Others	(30)	(52)	2	0	0	0
Carrying amount of the investment at 31 December	722	698	463	397	146	169

(1) Previous year figures are restated due to the application of IFRS 15.

The Company's share of contingent liabilities as of 31 December 2018 relating to MBDA is € 420 million (2017: € 308 million).

7.2 Investments in Associates

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

<i>(In € million)</i>	2018	2017
Carrying amount of the investment at 1 January	193	171
Share of results from continuing operations	39	37
Share of other comprehensive income	11	(7)
Dividends received during the year	(36)	(8)
Changes in consolidation	1	0
Others	1	0
Carrying amount of the investment at 31 December	209	193

The cumulative unrecognised comprehensive loss for these associates amounts to €-30 million and €-47 million as of 31 December 2018 and 2017, respectively (thereof € 17 million for the period).

8. Related Party Transactions

<i>(In € million)</i>	Sales of goods and services and other income	Purchases of goods and services and other expenses	Receivables due at 31 December	Payables due at 31 December	Loans granted / Other receivables due at 31 December	Loans received / Other liabilities due at 31 December
2018						
Total transactions with associates	13	222	3	39	95	20
Total transactions with joint ventures	2,197	209	1,200	1,175	0	1,121
2017 ⁽¹⁾						
Total transactions with associates	7	234	5	39	92	14
Total transactions with joint ventures	2,615	425	989	463	1	1,076

(1) Previous year figures are restated due to the application of IFRS 15.

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

As of 31 December 2018, the Company granted guarantees of € 129 million to Air Tanker Group in the UK (2017 (restated): € 152 million).

For information regarding the funding of the Company's pension plans, which are considered as related parties, 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

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

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

9. Segment Information

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

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

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

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

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

Business segment information for the year ended 31 December 2017 is as follows: ⁽¹⁾

<i>(In € million)</i>	Airbus				Consolidated Airbus
	Airbus	Airbus Helicopters	Defence and Space	Transversal / Eliminations	
Total revenue	43,486	6,335	10,596	0	60,417
Internal revenue	(819)	(476)	(100)	0	(1,395)
Revenue	42,667	5,859	10,496	0	59,022
<i>thereof:</i>					
sales of goods at a point in time	39,955	2,898	2,015	0	44,868
sales of goods over time	0	332	5,624	0	5,956
services, including sales of spare parts	2,712	2,629	2,857	0	8,198
Profit before finance result and income taxes (EBIT)	2,257	247	462	(301)	2,665
<i>thereof:</i>					
depreciation and amortisation	(1,661)	(209)	(429)	1	(2,298)
research and development expenses	(1,842)	(306)	(322)	(337)	(2,807)
share of profit from investments accounted for under the equity method	144	5	161	1	311
additions to other provisions	(895)	(619)	(2,399)	(11)	(3,924)
Interest result					(328)
Other financial result					1,489
Income taxes					(1,462)
Profit for the period					2,364

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

<i>(In € million)</i>	31 December	
	2018	2017 ⁽²⁾
Segment capital expenditures		
Airbus	1,618	1,885
Airbus Helicopters	149	192
Airbus Defence and Space	518	481
Transversal / Eliminations	0	0
Total capital expenditures ⁽¹⁾	2,285	2,558

(1) Excluding expenditure for leased assets.

(2) The divisional figures are restated due to the new segment structure.

<i>(In € million)</i>	31 December	
	2018	2017 ⁽¹⁾
Segment assets		
Airbus	66,612	60,143
Airbus Helicopters	8,885	9,666
Airbus Defence and Space	19,056	17,763
Transversal / Eliminations	(8,182)	(8,388)
Total segment assets	86,371	79,184
Unallocated		
Deferred and current tax assets ⁽¹⁾	6,286	5,476
Securities	12,794	12,571
Cash and cash equivalents	9,413	12,016
Assets classified as held for sale	334	202
Total assets ⁽¹⁾	115,198	109,449

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

Revenue by geographical areas is disclosed in “– Note 10: Revenue and Gross Margin”. Property, plant and equipment by geographical areas is disclosed in “– Note 18: Property, Plant and Equipment”.

Segment order backlog	31 December 2018	
	<i>In € million</i>	<i>In %</i>
Airbus	411,659	90
Airbus Helicopters	14,943	3
Airbus Defence and Space	35,316	8
Transversal / Eliminations	(2,393)	(1)
Total	459,525	100

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

2.4 Airbus Performance

10. Revenue and Gross Margin

Revenue increased by €+4,685 million to €63,707 million (2017 (restated): €59,022 million). The increase relates mainly to Airbus (€+4,484 million), mostly driven by higher deliveries of 800 aircraft (in 2017: 718 aircraft), and to Airbus Defence and Space (€+467 million), principally reflecting an increase in Military Aircraft. This was partly reduced due to the perimeter change at Airbus Helicopters (€-401 million).

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

<i>(In € million)</i>	2018	2017 ⁽¹⁾
Asia-Pacific	23,297	21,319
Europe	17,780	15,767
North America	11,144	10,836
Middle East	6,379	7,211
Latin America	1,437	894
Other countries	3,670	2,995
Total	63,707	59,022

(1) Previous year figures are restated due to the application of IFRS 15.

The **gross margin** increased by €+1,914 million to €8,787 million compared to €6,873 million in 2017 (restated), mainly driven by higher deliveries, improved performance and favourable foreign exchange impact at Airbus, partly offset by impairments and provisions recognised on the A380 programme. It also reflects a positive impact from lower charges at Airbus Defence and Space on the A400M programme. The gross margin rate increased from 11.6% (restated) to 13.8%.

In 2018, Airbus has delivered 93 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2018 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.

In 2018, the Company's largest A380 operator has reviewed its aircraft fleet strategy going forward and has concluded it is forced to restructure and reduce its A380 order by 39 aircraft. The Company entered into discussions with the customer in late 2018 which finally resulted in the signature of a head of agreement on 11 February 2019. Without this customer's A380 order, the Company has no substantial order backlog and no basis to sustain A380 production, despite all sales and marketing efforts in recent years. As a consequence of this decision, deliveries of the A380 will cease in 2021.

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

17 A400M aircraft were delivered in 2018. In total, 74 aircraft have been delivered as of 31 December 2018. The Company continued with development activities toward achieving the revised capability roadmap with the achievement of an important development milestone according to schedule. Retrofit activities are progressing in line with the customer agreed plan.

In 2017, the Company 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 programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of €1,299 million for the year 2017 (restated equivalent loss following the implementation of IFRS 15 was €992 million for the year 2017).

In 2018, the Company has been working together with OCCAR and concluded the negotiations on a contract amendment. The customer Nations are now set to endorse the agreement to allow pursuing the domestic approval processes with the objective to sign the contract amendment in the first half-year 2019. In the fourth quarter 2018 an update of the contract estimate at completion has triggered a net additional charge of €436 million. This reflects the outcome of the negotiations, updated estimates on the export scenario during the launch contract phase of the A400M programme as well as applicable escalation and some cost increases. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines, and on cost reductions as per the revised baseline.

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 as with the upcoming contract amendment these termination rights will be completely reviewed.

11. Research and Development Expenses

Research and development expenses increased by €+410 million to €3,217 million compared to €2,807 million in 2017, primarily reflecting R&D activities on the A320 programme. In addition, an amount of €91 million of development costs has been capitalised, mainly related to Airbus Helicopters programmes.

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

<i>(In € million)</i>	2018	2017
Share of profit from investments in joint ventures ⁽¹⁾	291	274
Share of profit from investments in associates	39	37
Share of profit from investments accounted for under the equity method ⁽¹⁾	330	311
Other income from investments	109	82

(1) Previous year figures are restated due to the application of IFRS 15.

Share of profit from investments under the equity method and **other income from investments** increased by €+46 million to €439 million compared to €393 million in 2017 (restated).

13. Other Income and Other Expenses

Other income increased by €+675 million to €1,656 million compared to €981 million in 2017. This increase is mainly related to the release of liabilities on the A380 programme and the gain of €159 million following the disposal of Plant Holdings, Inc. In 2017, it mainly included the capital gain of €604 million from the sale of the defence electronics business at Airbus Defence and Space. For more details, see “– Note 6: Acquisitions and Disposals”.

Other expenses decreased by €-154 million to €-182 million compared to €-336 million in 2017, which included the arbitral award relating to the Republic of China (Taiwan). For more details, see “– Note 36: Litigation and Claims”.

14. Total Financial Result

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

<i>(In € million)</i>	2018	2017
Interests on European Governments' refundable advances	(181)	(270)
Others	(51)	(58)
Total interest result ⁽²⁾	(232)	(328)
Change in fair value measurement of financial instruments	(340)	392
Foreign exchange translations on monetary items	(238)	219
Unwinding of discounted provisions ⁽¹⁾	(44)	(49)
Others	91	927
Total other financial result ⁽¹⁾	(531)	1,489
Total ⁽¹⁾	(763)	1,161

(1) Previous year figures are restated due to the application of IFRS 15.

(2) In 2018, the total interest income amounts to €208 million (2017: €189 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 €-440 million (2017: €-517 million) are recognised as total interest expenses. Both amounts are calculated by using the effective interest method.

Total financial result deteriorated by €-1,924 million to €-763 million compared to €1,161 million in 2017 (restated). This is due to a negative impact from foreign exchange valuation of monetary items and the revaluation of financial instruments, partly compensated by the net effect of the change of treatment of certain financial instruments under IFRS 9. In addition, in 2017 it included the impact of the decrease in the European Governments' refundable advances primarily related to the A380 programme.

15. Income Tax

The expense for income taxes is comprised of the following:

<i>(In € million)</i>	2018	2017
Current tax expense	(477)	(912)
Deferred tax expense ⁽¹⁾	(797)	(550)
Total ⁽¹⁾	(1,274)	(1,462)

(1) Previous year figures are restated due to the application of IFRS 15.

Main income tax rates and main changes impacting the Company:

<i>(Rate in %)</i>	2018	2019	> 2019
Netherlands	25.00	25.00	25.00
France ⁽¹⁾	34.43	32.02	25.83
Germany	30.00	30.00	30.00
Spain	25.00	25.00	25.00
UK ⁽²⁾	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) 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):

<i>(In € million)</i>	2018	2017 ⁽¹⁾
Profit before income taxes	4,285	3,826
Corporate income tax rate	25.0%	25.0%
Expected (expense) for income taxes	(1,071)	(957)
Effects from tax rate differentials / Change of tax rate	(41)	(233)
Capital gains and losses on disposals / mergers	40	148
Income from investment and associates	76	197
Tax credit	64	53
Change in valuation allowances ⁽²⁾	(299)	(355)
Tax contingencies	(110)	(318)
Other non-deductible expenses and tax-free income	67	3
Reported tax (expense)	(1,274)	(1,462)

(1) Previous year figures are restated due to the application of IFRS 15.

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

The **income tax** expense of €-1,274 million (2017 (restated): €-1,462 million) corresponds to an effective tax rate of 29.7% (2017 (restated): 38.2%).

In 2018, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. This was partially offset by the tax-free sale of Plant Holdings Inc. (see “– Note 6: Acquisitions and Disposals”). Without these impacts, the effective tax rate would be approximately 26%.

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 French corporate tax surcharge 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%.

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

As of 31 December 2018, 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 € 132 million.

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 2018	31 December 2017
NOL	596	1,989	127	2,103	1,492	6,307	4,269
Trade tax loss carry forwards	0	2,020	0	0	0	2,020	1,051
Tax credit carry forwards	0	0	319	11	2	332	547
Tax effect	154	601	351	369	393	1,868	1,617
Valuation allowances	(113)	(415)	(74)	(49)	(364)	(1,015)	(733)
Deferred tax assets on NOL's and tax credit carry forwards	41	186	277	320	29	853	884

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

Roll forward of deferred taxes:

(In € million)	2018	2017 ⁽¹⁾
Net deferred tax assets at beginning of period	3,560	6,930
Deferred tax expense in income statement	(797)	(550)
Deferred tax recognised directly in AOCI	754	(2,881)
Deferred tax on remeasurement of the net defined benefit pension plan	(28)	(26)
Others	27	87
Net deferred tax assets at 31 December	3,516	3,560

(1) Previous year figures are restated due to the application of IFRS 15.

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

(In € million)	2018	2017
Financial assets at fair value through OCI (previously available-for-sale investments)	(75)	(124)
Cash flow hedges	(446)	(238)
Deferred tax on remeasurement of the net defined benefit pension plan	1,694	1,652
Total	1,173	1,290

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

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

(1) Previous year figures are restated due to the application of IFRS 15.

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

Deferred income taxes as of 31 December 2017 are related to the following assets and liabilities: ⁽¹⁾

	1 January 2017		Other movements		Movement through income statement		31 December 2017	
	Deferred tax assets	Deferred tax liabilities	OCI / IAS 19	Others ⁽²⁾	R&D tax credits	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
<i>(In € million)</i>								
Intangible assets	70	(610)	0	15	0	9	70	(586)
Property, plant and equipment	741	(1,384)	0	(48)	0	115	681	(1,257)
Investments and other long-term financial assets	204	(303)	0	39	0	452	559	(167)
Inventories	1,431	(1,222)	0	45	0	(749)	1,376	(1,871)
Receivables and other expenses	2,695	(1,011)	(918)	52	0	(551)	3,553	(3,286)
Prepaid expenses	1	0	0	0	0	(3)	0	(2)
Provisions for retirement plans	1,420	0	(34)	32	0	62	1,480	0
Other provisions	3,720	(1,492)	0	9	0	32	3,508	(1,239)
Liabilities	4,564	(2,676)	(2,159)	(3)	0	567	2,504	(2,211)
Deferred income	19	(102)	0	(77)	0	(1)	(94)	(67)
NOL and tax credit carry forward	1,706	0	0	0	39	(128)	1,617	0
Deferred tax assets (liabilities) before offsetting	16,571	(8,800)	(3,111)	64	39	(195)	15,254	(10,686)
Valuation allowances on deferred tax assets	(795)	0	204	(62)	0	(355)	(1,008)	0
Set-off	(7,696)	7,696	0	0	0	0	(9,684)	9,684
Net deferred tax assets (liabilities)	8,080	(1,104)	(2,907)	2	39	(550)	4,562	(1,002)

(1) Previous year figures are restated due to the application of IFRS 15.

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

16. Earnings per Share

	2018	2017
Profit for the period attributable to equity owners of the parent (Net income) ⁽¹⁾	€ 3,054 million	€ 2,361 million
Weighted average number of ordinary shares	775,167,941	773,772,702
Basic earnings per share ⁽¹⁾	€ 3.94	€ 3.05

(1) Previous year figures are restated due to the application of IFRS 15.

Diluted earnings per share – The Company's categories of dilutive potential ordinary shares are share-settled Performance Units relating to **Long-Term Incentive Plans ("LTIP")** and the **convertible bond** issued on 1 July 2015. During 2018, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 752,107 shares (2017: 505,536 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in 2018, by adding back € 7 million of interest expense to the profit for the period attributable to equity owners of the parent (2017: € 7 million) and by including 5,022,990 of dilutive potential ordinary shares.

	2018	2017
Profit for the period attributable to equity owners of the parent (Net income), adjusted for diluted calculation ⁽¹⁾	€ 3,061 million	€ 2,368 million
Weighted average number of ordinary shares (diluted) ⁽²⁾	780,943,038	779,301,228
Diluted earnings per share ⁽¹⁾	€ 3.92	€ 3.04

(1) Previous year figures are restated due to the application of IFRS 15.

(2) 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.

31 December 2018 and 2017 comprise the following:

<i>(In € million)</i>	31 December 2018			31 December 2017		
	Gross amount	Amortisation / Impairment	Net book value	Gross amount	Amortisation / Impairment	Net book value
Goodwill	14,077	(1,038)	13,039	10,180	(1,040)	9,141
Capitalised development costs	3,070	(1,488)	1,582	3,104	(1,340)	1,763
Other intangible assets	4,572	(2,467)	2,105	3,135	(2,409)	725
Total	21,719	(4,993)	16,726	16,418	(4,789)	11,629

Net Book Value

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

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

<i>(In € million)</i>	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)	219	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 and disposal groups classified as held for sale (see “– Note 6: Acquisitions and Disposals”).

Intangible assets increased by € +5,097 million to € 16,726 million (2017: € 11,629 million). Intangible assets mainly relate to goodwill of € 13,039 million (2017: € 9,141 million). The increase is primarily due to the acquisition of CSALP (see “– Note 6: “Acquisitions and Disposals”).

Capitalised Development Costs

The Company has capitalised development costs in the amount of € 1,582 million as of 31 December 2018 (€ 1,763 million as of 31 December 2017), mainly for the A350 XWB programme (€ 678 million).

Impairment Tests

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

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

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

As of 31 December 2018 and 2017, goodwill was allocated to CGUs or group of CGUs and is summarised in the following schedule:

<i>(In € million)</i>	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Goodwill as of 31 December 2018	10,759	128	2,152	0	13,039
Goodwill as of 31 December 2017 ⁽¹⁾	6,852	129	2,160	0	9,141

(1) Previous year figures are restated due to the application of IFRS 15. The divisional figures are restated due to the new segment structure.

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

The annual impairment tests performed in 2018 led to no impairment charge.

General Assumptions Applied in the Planning Process

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

The operative planning, used for the impairment test, is based on the following key assumptions which are relevant for all CGUs:

- increase of expected future labour expenses of 2.0% (2017: 2.0%);
- future interest rates projected per geographical market, for the European Monetary Union, the UK and the US;
- future exchange rate of 1.25 US\$/€ (2017: 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

- 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 2018. The development of market share per segment considers enlargement of the competition as per current best assessment. Current market evolutions are considered through sensitivities.
- Due to the significant hedge portfolio, the carrying value and planned cash flows of the CGU Airbus are materially influenced.
- Cash flows are discounted using a euro weighted pre-tax WACC of 10.6% (2017: 9.6%).

Airbus Helicopters

- The planning takes into account the evolution of programmes based upon the current backlog and an assessment of order intake for platforms and services.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Long-term commercial assumptions in respect of market share, deliveries and market value are based on the helicopter market forecast considering the decrease over recent years in the civil and parapublic market partially driven by decrease of investment in oil and gas, needs of helicopter fleet renewal and growth markers and the increase of Airbus Helicopters market share in this environment. Current market evolutions are considered through sensitivities.
- Cash flows are discounted using a euro weighted pre-tax WACC of 10.4% (2017: 9.7%).

Airbus Defence and Space

- Overall the defence and space markets are expected to grow at a steady rate during the period of the operative planning horizon.
- Business growth is underpinned by growing defence opportunities boosted after finalisation of the successful portfolio re-shaping programme. Underlying performance is improved by focusing on project delivery, cost control and efficiency.
- In the absence of long-term financial reference, expected cash flows generated beyond the planning horizon are considered through a terminal value.
- Cash flows are discounted using a euro weighted pre-tax WACC of 9.1% (2017: 8.3%).

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 2018 and 2017 comprises the following:

<i>(In € million)</i>	31 December 2018			31 December 2017		
	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	9,873	(4,692)	5,181	9,543	(4,452)	5,091
Technical equipment and machinery	21,994	(13,972)	8,022	21,004	(12,938)	8,066
Other equipment, factory and office equipment ⁽²⁾	3,714	(2,812)	902	3,693	(2,754)	939
Construction in progress	2,668	0	2,668	2,514	0	2,514
Total	38,249	(21,476)	16,773	36,754	(20,144)	16,610

(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 € 345 million (2017: € 359 million).

Net Book Value

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

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

<i>(In € million)</i>	Balance at 1 January 2017	Exchange differences	Additions	Changes in consolidation scope	Reclassi- fication ⁽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 and disposal groups classified as held for sale (see “– Note 6: Acquisitions and Disposals”).

Property, plant and equipment increased by € +163 million to € 16,773 million (2017: € 16,610 million), mainly at Airbus Defence and Space (€ +150 million).

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

Property, Plant and Equipment by Geographical Areas

<i>(In € million)</i>	31 December	
	2018	2017
France	7,630	7,222
Germany	4,281	4,649
UK	2,141	2,193
Spain	1,500	1,613
Other countries	1,176	881
Total	16,728	16,558

(1) Property, plant and equipment by geographical areas excludes leased assets of € 45 million (2017: € 52 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" (€256 million as of 31 December 2018, 2017: €257 million).

Future nominal operating lease payments (for the Company as a lessee) for rental and lease agreements not relating to aircraft sales financing amount to €1,494 million as of 31 December 2018 (2017: €1,025 million), and relate mainly to procurement operations (e.g. facility leases).

Maturities as of 31 December 2018 and 2017 are as follows:

<i>(In € million)</i>	31 December	
	2018	2017
Not later than 1 year	261	202
Later than 1 year and not later than 5 years	696	516
Later than 5 years	537	307
Total	1,494	1,025

19. Other Investments and Other Long-Term Financial Assets

<i>(In € million)</i>	31 December	
	2018	2017
Other investments	2,267	2,441
Other long-term financial assets	1,544	1,763
Total non-current other investments and other long-term financial assets	3,811	4,204
Current portion of other long-term financial assets	489	529
Total	4,300	4,733

Other investments mainly comprise the Company's participations. The significant participations at 31 December 2018 include the remaining investment in Dassault Aviation (Airbus share: 9.89%, 2017: 9.93%) amounting to €999 million (2017 €1,071 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of €1,523 million as of 31 December 2018 (2017: €1,521 million), and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

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

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

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

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

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

Impairment and allowances of trade receivables and contract assets are measured at an amount equal to the lifetime expected loss as described in "– Note 4: Change in Accounting Policies and Disclosures".

Contract Assets, Contract Liabilities and Trade Receivables

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

<i>(In € million)</i>	2018	
	Contract assets	Contract liabilities
Revenue recognised that was included in the contract liability balance at 1 January	-	(23,464)
Increases due to cash received, excluding amounts recognised as revenue	-	23,472
Transfers from contract assets recognised at the beginning of the period	(2,740)	-
Increase as a result of changes in the measure of progress	3,074	-

As of 31 December 2018, trade receivables amounting to € 583 million (2017: € 964 million) will mature after more than one year.

In the year of implementation, the Company does not disclose significant changes in the contract assets and the contract liabilities for the prior year. The high costs linked to its creation would have not justified the result in terms of additional useful information to be provided.

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

<i>(In € million)</i>	2018	2017 ⁽¹⁾
Allowance balance at 1 January	(252)	(245)
Foreign currency translation adjustment	(5)	2
Utilisations / disposals and business combinations	28	37
Additions	(40)	(46)
Allowance balance at 31 December ⁽²⁾	(269)	(252)

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Thereof, € 2 million relates to contracts assets (2017: € 3 million).

Trade Liabilities

Trade liabilities of € 16,237 million (2017 (restated): € 13,406 million) increased by € +2,831 million, mainly in Airbus.

As of 31 December 2018, trade liabilities amounting to € 29 million (2017: € 24 million) will mature after more than one year.

21. Inventories

<i>(In € million)</i>	31 December 2018			31 December 2017 ⁽¹⁾		
	Gross amount	Write-down	Net book value	Gross amount	Write-down	Net book value
Raw materials and manufacturing supplies	3,827	(554)	3,273	3,231	(484)	2,747
Work in progress	23,119	(1,476)	21,643	22,176	(1,911)	20,265
Finished goods and parts for resale	3,949	(555)	3,394	3,487	(612)	2,875
Advance payments to suppliers	3,631	(50)	3,581	3,916	(66)	3,850
Total	34,526	(2,635)	31,891	32,810	(3,073)	29,737

(1) Previous year figures are restated due to the application of IFRS 15.

Inventories of € 31,891 million (2017 (restated): € 29,737 million) increased by € +2,154 million. This is driven by Airbus (€ +2,128 million) reflecting an increase in work in progress associated with the A320 programme ramp-up, including the impact of late engine deliveries.

Write-downs for inventories are recorded when it becomes probable that total estimated contract costs will exceed total contract revenue. In 2018, write-downs of inventories in the amount of € -883 million (2017 (restated): € -1,108 million) are recognised in cost of sales, whereas reversal of write-downs amounts to € 264 million (2017 (restated): € 102 million). At 31 December 2018, € 20,626 million of work in progress and € 3,130 million of finished goods and parts for resale were carried at net realisable value.

Inventories recognised as an expense during the period amount to € 44,437 million (2017 (restated): € 39,828 million).

22. Provisions, Contingent Assets and Contingent Liabilities

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

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

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

<i>(In € million)</i>	31 December	
	2018	2017
Provisions for pensions ⁽²⁾	7,072	8,361
Other provisions ⁽¹⁾	11,816	7,690
Total ⁽¹⁾	18,888	16,051
<i>thereof non-current portion ⁽¹⁾</i>	<i>11,571</i>	<i>9,779</i>
<i>thereof current portion ⁽¹⁾</i>	<i>7,317</i>	<i>6,272</i>

(1) Previous year figures are restated due to the application of IFRS 15.

(2) See “– Note 29: Post-Employment Benefits”.

Provisions for pensions decreased mainly due to contributions made into the various pension vehicles.

Other provisions are presented net of programme losses against inventories (see “– Note 21: Inventories”) and increased due to the inclusion of liabilities related to acquired customer contracts linked to the acquisition of CSALP (see “– Note 6: “Acquisitions and Disposals”) and due to the A380 net charge recorded in 2018 (see “– Note 10: “Revenue and Gross Margin”).

Movements in other provisions during the year were as follows:

<i>(In € million)</i>	Balance at 1 January 2018	Exchange differences	Increase from passage of time	Additions	Reclassification/ Change in consolidated group			Balance at 31 December 2018
					Used	Released		
Onerous contracts ⁽¹⁾	1,828	51	0	2,374	2,617	(1,328)	(53)	5,489
Outstanding costs ⁽¹⁾	1,606	1	0	468	(81)	(577)	(93)	1,324
Aircraft financing risks ⁽¹⁾⁽²⁾	1	0	0	2	8	0	(5)	6
Obligation from services and maintenance agreements	492	0	8	67	194	(82)	(28)	651
Warranties ⁽¹⁾	267	0	1	108	22	(57)	(14)	327
Personnel-related provisions ⁽³⁾	1,019	0	3	427	37	(452)	(114)	920
Litigation and claims	288	0	0	116	244	(45)	(16)	587
Asset retirement	158	0	(6)	2	0	0	(1)	153
Other risks and charges ⁽¹⁾	2,031	(2)	0	1,492	(603)	(317)	(242)	2,359
Total ⁽¹⁾	7,690	50	6	5,056	2,438	(2,858)	(566)	11,816

(1) Previous year figures are restated due to the application of IFRS 15.

(2) See “– Note 25: Sales Financing Transactions”.

(3) See “– Note 28: Personnel-Related Provisions”.

Provisions for onerous contracts in 2018 mainly include the provisions related to the A380 and A400M programmes (see “– Note 10: Revenue and Gross Margin” and “– Note 21: Inventories”). Reclassification / Change in consolidated group mainly relates to the liabilities associated to the CSALP acquisition (see “– Note 6: “Acquisitions and Disposals”).

The majority of the addition to **provisions for outstanding costs** relates to Airbus Helicopters (€ 307 million) as well as to Airbus Defence and Space (€ 110 million).

Provisions for litigations and claims include the arbitral award relating to the Republic of China (Taiwan). For more details, see “– Note 36: Litigation and Claims”.

Personnel-related provisions include restructuring provisions and other personnel charges. For more details, 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 and have agreed a retrofit plan for the implementation of corrective measures. An estimate of the related net future costs has been prepared and is included in **other provisions**.

Contingent assets and contingent liabilities — The Company is exposed to technical and commercial contingent obligations due to the nature of its businesses. To mitigate this exposure, the Company has subscribed a Global Aviation Insurance Programme (“GAP”).

Information required under IAS 37 “Provisions, Contingent Assets and Contingent Liabilities” is not disclosed if the Company concludes that disclosure can be expected to prejudice seriously its position in a dispute with other parties.

For other contingent liabilities, see “– Note 36: Litigation and Claims” and “– Note 10: Revenue and Gross Margin” (mainly A400M programme).

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

23. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

<i>(In € million)</i>	31 December	
	2018	2017
Positive fair values of derivative financial instruments ⁽¹⁾	1,031	2,901
Others	77	79
Total non-current other financial assets	1,108	2,980
Receivables from related companies	1,082	992
Positive fair values of derivative financial instruments ⁽¹⁾	286	663
Others	443	324
Total current other financial assets	1,811	1,979
Total	2,919	4,959

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

Other Financial Liabilities

<i>(In € million)</i>	31 December	
	2018	2017
Liabilities for derivative financial instruments ⁽²⁾	1,132	1,127
European Governments' refundable advances	4,233	5,537
Others ⁽¹⁾⁽²⁾	2,644	40
Total non-current other financial liabilities ⁽¹⁾	8,009	6,704
Liabilities for derivative financial instruments ⁽²⁾	1,623	1,144
European Governments' refundable advances ⁽³⁾	344	364
Liabilities to related companies ⁽¹⁾	175	199
Others	320	343
Total current other financial liabilities ⁽¹⁾	2,462	2,050
Total ⁽¹⁾	10,471	8,754
<i>thereof other financial liabilities due within 1 year ⁽¹⁾</i>	<i>2,125</i>	<i>2,041</i>

(1) Previous year figures are restated due to the application of IFRS 15

(2) See “– Note 35: Information about Financial Instruments”.

(3) Refundable advances from European Governments' are provided to the Company to finance research and development activities for certain projects on a risk-sharing basis, *i.e.* they are repaid to the European Governments' subject to the success of the project.

The total net fair value of derivative financial instruments deteriorated by €-2,731 million to €-1,438 million (2017: € 1,293 million) as a result of the strengthening of the US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The European Governments' refundable advances decreased by €-1,324 million to € 4,577 million (2017: € 5,901 million), primarily related to the update on the A380 programme (see “– Note 10: Revenue and Gross Margin”).

24. Other Assets and Other Liabilities

Other Assets

(In € million)	31 December	
	2018	2017
Cost to fulfil a contract ⁽¹⁾	777	868
Prepaid expenses ⁽¹⁾	33	15
Others ⁽¹⁾	78	92
Total non-current other assets ⁽¹⁾	888	975
Value added tax claims	3,255	1,892
Cost to fulfil a contract ⁽¹⁾	464	522
Prepaid expenses ⁽¹⁾	121	146
Others ⁽¹⁾	406	377
Total current other assets ⁽¹⁾	4,246	2,937
Total ⁽¹⁾	5,134	3,912

(1) Previous year figures are restated due to the application of IFRS 15

Other Liabilities

(In € million)	31 December	
	2018	2017
Others ⁽¹⁾	460	298
Total non-current other liabilities ⁽¹⁾	460	298
Tax liabilities (excluding income tax)	2,706	1,397
Others	2,582	2,512
Total current other liabilities ⁽¹⁾	5,288	3,909
Total ⁽¹⁾	5,748	4,207
<i>thereof other liabilities due within 1 year ⁽¹⁾</i>	5,288	3,909

(1) Previous year figures are restated due to the application of IFRS 15

25. Sales Financing Transactions

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

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

- 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 revenue on a straight-line basis over the term of the lease.
- Finance leases and loans – When, pursuant to a financing transaction, substantially all the risks and rewards of ownership of the financed aircraft reside with a third party, the transaction is characterised as either a finance lease or a loan. In such instances, revenue from the sale of the aircraft are recorded upon delivery, while financial interest is recorded over time as financial income. The outstanding balance of principal is recorded on the statement of financial position (on-balance sheet) in long-term financial assets, net of any accumulated impairments.
- Inventories – Second hand aircraft acquired as part of a commercial buyback transaction, returned to Airbus after a payment default or at the end of a lease agreement are classified as inventories held for resale if there is no subsequent lease agreement in force (see “– Note 21: 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:

- Backstop commitments are guarantees by Airbus, made when a customer-order is placed, to provide financing to the customer in the event that the customer fails to secure sufficient funding when payment becomes due under the order. Such commitments are not considered to be part of Gross Customer Financing Exposure as (i) the financing is not in place, (ii) commitments may be transferred in full or part to third parties prior to delivery, (iii) past experience suggests it is unlikely that all such proposed financings actually will be implemented and, (iv) Airbus retains the asset until the aircraft is delivered and does not incur an unusual risk in relation thereto. In order to mitigate customer credit risks for Airbus, such commitments typically contain financial conditions which guaranteed parties must satisfy in order to benefit therefrom.
- Asset value guarantees are guarantees whereby Airbus guarantees a portion of the value of an aircraft at a specific date after its delivery. Airbus considers the financial risks associated with such guarantees to be acceptable, because (i) the guarantee only covers a tranche of the estimated future value of the aircraft, and its level is considered prudent in comparison to the estimated future value of each aircraft, and (ii) the exercise dates of outstanding asset value guarantees are distributed through 2030.

As of 31 December 2018, the nominal value of asset value guarantees considered as variable considerations under IFRS 15 provided to beneficiaries amounts to € 639 million (2017: € 722 million), excluding € 27 million (2017: € 30 million) where the risk is considered to be remote. The present value of the risk inherent in asset value guarantees where a settlement is being considered probable is fully provided for and included in the total of contract liabilities for an amount of € 511 million (2017 restated: € 582 million) (see “– Note 20: Contract Assets, Contract Liabilities and Trade Receivables, and Trade Liabilities”).

- 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 2018 and 2017.

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

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

Gross Customer Financing Exposure amounts to US\$ 1.0 billion (€ 0.9 billion) (2017: US\$ 1.7 billion (€ 1.4 billion)).

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

Impairment losses and provisions — For the purpose of measuring an impairment loss, each transaction is tested individually. Impairment losses relating to aircraft under operating lease and second hand aircraft for resale (included in inventory) are recognised for any excess of the aircraft’s carrying amount over the higher of the aircraft’s value in use and its fair value less cost to sell. Finance leases and loans are measured at fair value, based on the present value of estimated future cash flows (including cash flows expected to be derived from a sale of the aircraft). Under its provisioning policy for sales financing risk, Airbus 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, the Company benefits from protective covenants and from security packages tailored according to the perceived risk and the legal environment.

The Company endeavours to limit its sales financing exposure by sharing its risk with third parties usually involving the creation of a structured entity. Apart from investor interest protection, interposing a structured entity offers advantages such as flexibility, bankruptcy remoteness, liability containment and facilitating sell-downs of the aircraft financed. An aircraft financing structured entity is typically funded on a non-recourse basis by a senior lender and one or more providers of subordinated financing. When the Company acts as a lender to such structured entities, it may take the role of the senior lender or the provider of subordinated loan. The Company consolidates an aircraft financing structured entity if it is exposed to the structured entity’s variable returns and has the ability to direct the relevant remarketing activities. Otherwise, it recognises only its loan to the structured entity under other long-term financial assets. At 31 December 2018 the carrying amount of its loans from aircraft financing amounts to € 502 million (2017: € 695 million). This amount also represents the Company’s maximum exposure to loss from its interest in unconsolidated aircraft financing structured entities.

On-Balance Sheet Operating and Finance Leases

The **future minimum operating lease payments** (undiscounted) **due from customers** to be included in revenue, and the **future minimum lease payments** (undiscounted) **from investments in finance leases** to be received in settlement of the outstanding receivable at 31 December 2018 are as follows:

<i>(In € million)</i>	Aircraft under operating lease	Finance lease receivables ⁽¹⁾
Not later than 1 year	26	7
Later than 1 year and not later than 5 years	58	2
Later than 5 years	2	0
31 December 2018	86	9

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

Off-Balance Sheet Commitments

Operating head-lease commitments comprise operating lease payments due by Airbus as lessee under head-lease transactions. As of 31 December 2018 and as of 31 December 2017, the scheduled payments owed under sales financing head-leases are as follows:

<i>(In € million)</i>	31 December	
	2018	2017
Not later than 1 year	19	28
Later than 1 year and not later than 5 years	2	16
Later than 5 years	0	0
Total aircraft lease commitments ⁽¹⁾	21	44
<i>thereof commitments where the transaction has been sold to third parties</i>	<i>(21)</i>	<i>(44)</i>
Total aircraft lease commitments where the Company bears the risk (not discounted)	0	0

(1) Backed by sublease income from customers with an amount of € 27 million in 2018 (2017: € 40 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).

<i>(In € million)</i>	31 December	
	2018	2017
Loans	22	29
Liabilities to financial institutions	0	0
Total sales financing liabilities	22	29

Customer Financing Cash Flows

Direct customer financing cash flows amount to € 79 million in 2018 (2017: € -100 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 2018 and 2017 are as follows:

<i>(In € million)</i>	31 December 2018			31 December 2017		
	Airbus	Airbus Helicopters	Total	Airbus	Airbus Helicopters	Total
Operating leases ⁽¹⁾	110	32	142	107	34	141
Finance leases and loans	637	67	704	839	97	936
Inventories	22	0	22	149	0	149
Other investments	6	0	6	25	0	25
On-balance sheet customer financing	775	99	874	1,120	131	1,251
Off-balance sheet customer financing	28	10	38	144	4	148
Gross Customer Financing Exposure	803	109	912	1,264	135	1,399
Collateral values	(562)	(35)	(597)	(953)	(64)	(1,017)
Net exposure	241	74	315	311	71	382
Operating leases	(74)	(23)	(97)	(68)	(21)	(89)
Finance leases and loans	(144)	(51)	(195)	(115)	(50)	(166)
On-balance sheet commitments - inventories	(17)	0	(17)	(119)	0	(119)
Off-balance sheet commitments - provisions ⁽²⁾	(6)	0	(6)	(8)	0	(8)
Asset impairment, fair value adjustments and provisions	(241)	(74)	(315)	(311)	(71)	(382)

(1) For 2018 and 2017, depreciation amounts to € 10 million and € 11 million respectively and related accumulated depreciation is € 55 million and € 53 million respectively.

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

2.6 Employees Costs and Benefits

26. Number of Employees

	Airbus	Airbus Helicopters	Airbus Defence and Space	Consolidated Airbus
31 December 2018	80,924	19,745	33,002	133,671
31 December 2017 ⁽¹⁾	77,163	20,108	32,171	129,442

(1) Previous year figures are restated due to the new segment structure.

27. Personnel Expenses

<i>(In € million)</i>	2018	2017
Wages, salaries and social contributions	12,566	12,629
Net periodic pension cost ⁽¹⁾	581	511
Total	13,147	13,140

(1) See “– Note 29.1: Provisions for Retirement Plans”

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**.

<i>(In € million)</i>	Balance at 1 January 2018	Exchange differences	Increase from passage of time	Additions	Reclassification / Change in consolidated group	Used	Released	Balance at 31 December 2018
Restructuring measures / pre-retirement part-time work	346	0	0	83	14	(132)	(68)	243
Other personnel charges	673	0	3	344	23	(320)	(46)	677
Total	1,019	0	3	427	37	(452)	(114)	920

A restructuring provision associated with the re-organisation of the Company 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 the Company and the works council in June 2017. The German social plan was agreed between the Company and the works councils in September 2017, and the reconciliation of interests were finalized on 21 February 2018

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

(In € million)	31 December	
	2018	2017
Provisions for retirement plans	6,474	7,127
Provisions for deferred compensation	598	1,234
Retirement plans and similar obligations	7,072	8,361

29.1 Provisions for Retirement Plans

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

France — The French pension system is operated on a “pay as you go” basis. Besides the basic pension from the French social security system, each employee is entitled to receive a complementary pension from defined contribution schemes *Association pour le régime de retraite complémentaire des salariés* (“ARRCO”) and *Association générale des institutions de retraite des cadres* (“AGIRC”). Moreover, French law stipulates that employees are paid retirement indemnities in the form of lump sums on the basis of the length of service, which are considered as defined obligations.

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

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

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

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

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

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

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

In the event that an employer who participates in the BAE Systems pension schemes fails or cannot be compelled to fulfil its obligations as a participating employer, the remaining participating employers are obliged to collectively take on its obligations. The Company considers the likelihood of this event as remote. However, for the Main Scheme the Company considers that its obligation is in principle limited to that related to its section.

Risks

The DBO exposes the Company to actuarial risks, including the following ones:

Market price risk — The return on plan assets is assumed to be the discount rate derived from AA-rated corporate bonds. If the actual return rate of plan assets is lower than the applied discount rate, the net 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 continues, the DBO will further increase in future periods, which can only be offset partially by the positive development of market values of those corporate bonds included in plan assets. Generally, the pension obligation is sensitive to movements in the interest rate leading to volatile results in the valuation.

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

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

The weighted average assumptions used in calculating the actuarial values of the most significant retirement plans as of 31 December 2018 are as follows:

	Pension plans in								
	Germany		France		UK		Participation in BAE Systems Pension Scheme in the UK		Canada
	2018	2017	2018	2017	2018	2017	2018	2017	2018
<i>(Rate in %)</i>									
Discount rate	1.7	1.7	1.7	1.7	2.8	2.5	2.7	2.5	3.9
Rate of consumption increase	2.8	2.8	2.5	2.5	2.6	2.6	2.6	2.6	3.0
Rate of pension increase	1.6	1.5	1.7	1.7	3.0	3.0	2.9	2.9	2.0
Inflation rate	1.6	1.5	1.7	1.7	3.1	3.1	3.1	3.1	2.0

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

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 newly introduced "2018 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:

Plan assets <i>(In € million)</i>	Participation in BAE Systems			Participation in BAE Systems			Total provisions
	Pension plans of the Company	Pension Scheme in the UK	Total	Pension plans of the Company	Pension Scheme in the UK	Total	
Balance at 1 January 2017	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, transfer 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 adjustments	(41)	(132)	(173)	35	96	131	(42)
Balance at 31 December 2017	11,299	3,571	14,870	(4,911)	(2,832)	(7,743)	7,127
Service cost	381	84	464	0	0	0	464
Interest cost and income	202	85	287	(97)	(68)	(165)	123
Past service cost	0	0	0	0	0	0	0
Remeasurements: Actuarial (gains) and losses arising							
from changes in demographic assumptions	112	(24)	88	0	0	0	88
from changes in financial assumptions	(35)	(152)	(187)	0	0	0	(187)
from changes in experience adjustments	117	48	165	0	0	0	165
from plan assets	0	0	0	398	105	502	502
Change in consolidation, transfer and others	247	0	247	(209)	0	(209)	38
Benefits paid	(380)	(115)	(495)	148	115	262	(233)
Contributions by employer and other plan participants	3	5	8	(1,281)	(335)	(1,616)	(1,608)
Foreign currency translation adjustments	(14)	(27)	(40)	11	25	36	(5)
Balance at 31 December 2018	11,932	3,475	15,407	(5,941)	(2,990)	(8,933)	6,474

The funding of the plans is as follows:

<i>(In € million)</i>	31 December			
	2018		2017	
	DBO	Plan assets	DBO	Plan assets
Unfunded pension plans	2,157	0	1,563	0
Funded pension plans (partial)	13,250	(8,933)	13,307	(7,743)
Total	15,407	(8,933)	14,870	(7,743)

In 2018, contributions in the amount of € 1,278 million (2017: € 300 million) are made into the pension plans of the Company, mainly relating to the Contractual Trust Arrangement of € 1,159 million (2017: € 187 million), the Company UK scheme for € 104 million (2017: € 77 million).

Contributions of approximately € 500 million are expected to be made in 2019.

The weighted average duration of the DBO for retirement plans and deferred compensation is 16 years at 31 December 2018 (31 December 2017: 17 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	65%	14%	21%
Participation in BAE System Pension Scheme (Main Scheme)	58%	16%	26%
Canada	95%	1%	4%

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 2018:

	Change in actuarial assumptions	Impact on DBO	
		Change at 31 December	
		2018	2017
Present value of the obligation		17,037	16,232
Discount rate	Increase by 0.5%-point	(1,204)	(1,228)
	Decrease by 0.5%-point	1,338	1,359
Rate of compensation increase	Increase by 0.25%-point	136	111
	Decrease by 0.25%-point	(130)	(196)
Rate of pension increase	Increase by 0.25%-point	316	283
	Decrease by 0.25%-point	(302)	(356)
Life expectancy	Increase by 1 year	428	369

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:

<i>(In € million)</i>	2018			2017		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity securities						
Europe	1,061	0	1,061	1,157	3	1,160
Rest of the world	361	0	361	511	48	559
Emerging markets	359	0	359	281	0	281
Global	1,355	0	1,355	1,188	0	1,188
Bonds						
Corporates	1,570	71	1,642	1,250	591	1,841
Governments	1,451	0	1,451	1,310	74	1,384
Pooled investments vehicles	491	0	491	16	280	296
Commodities	0	98	98	115	0	115
Hedge funds	0	269	269	332	196	528
Derivatives	0	207	207	0	(54)	(54)
Property	0	494	494	92	284	376
Cash and money market funds	1,103	96	1,199	43	0	43
Others	0	976	976	216	(40)	176
Balance at 31 December	7,751	2,211	9,962	6,511	1,382	7,893

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 2018 consists of fixed income instruments, equities, although the Company also invests in property, commodities and hedge funds. The Company reassesses the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the SAA.

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

<i>(In € million)</i>	Pension plans of the Company					Participation in BAE Systems Pension Scheme (UK)	Total
	Germany	France	UK	Canada			
DBO	8,660	1,756	1,205	311		3,475	15,407
Plan assets	4,646	23	1,083	189		2,992	8,933
Recognised at 31 December 2018	4,014	1,733	122	122		483	6,474
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 at 31 December 2017	4,603	1,623	162	0		739	7,127

Employer's contribution to state and private pension plans, mainly in Germany and France, are to be considered as defined contribution plans. Contributions in 2018 amounted to € 991 million (2017: € 677 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:

(In € million)	2018			2017		
	DBO	Plan assets	Total	DBO	Plan assets	Total
Balance at 1 January	1,362	(150)	1,212	1,018	(128)	890
Service cost	118	0	118	135	0	135
Interest cost	23	0	23	17	0	17
Interest income	0	(6)	(6)	0	(3)	(3)
Remeasurement: Actuarial (gains) and losses arising						
from changes in demographic assumptions	(2)	0	(2)	174	0	174
from changes in financial assumptions	8	0	8	5	0	5
from changes in experience adjustments	33	0	33	34	0	34
from plan assets	0	44	44	0	(3)	(3)
Change in consolidation, transfer and others	(20)	1	(19)	(13)	(1)	(14)
Benefits paid	(11)	0	(11)	(8)	0	(8)
Contributions	119	(921)	(802)	0	(15)	(15)
Balance at 31 December	1,630	(1,032)	598	1,362	(150)	1,212

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(In € million)	31 December	
	2018	2017
Provisions	598	1,234
Non-current and current other assets	0	22
Total	598	1,212

In 2018 new trust arrangements have been established between the trust and the participating companies and stipulate a minimum funding requirement for the portion of the obligation, which is not protected by the pension guarantee association or Pensions-Sicherungs Verein in case of an insolvency of Airbus companies concerned. Some portions of the obligation must be covered with securities in the same amount, while other portions must be covered by 115%.

30. Share-Based Payment

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

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

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

Since 2018, the Company operates also exceptional grants of Performance Units and Performance Shares under an Equity Pool. Such exceptional grants are validated by specific resolutions from the Board of Directors. Objective of these grants is to mirror the Performance Units and Performance Share Plan in term of vesting conditions and vesting dates. Accounting principles and methodology are the ones applied for LTIP as described above.

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

30.1 LTIP

In the years 2013 to 2015, the Board of Directors of the Company approved the granting of LTIP Performance and Restricted Units. Since 2016, it has approved a LTIP Performance Units and Performance Share Plan.

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

In 2018, compensation expense for LTIPs including the effect of the equity swaps amounted to € 69 million (2017: € 88 million).

The fair value of units and shares granted per vesting date is as follows (LTIP plan 2018):

Expected vesting date (In € per unit / share granted)	Fair value of Performance Units and Shares
May 2022 - Performance Shares	85.01
May 2022 - Performance Units	84.09
May 2023 - Performance Units	83.28

As of 31 December 2018, provisions of € 140 million (2017: € 183 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 in the following table). For the units, the measurement is next to other market data, mainly affected by the share price as of the end of the reporting period (€ 83.96 as of 31 December 2018) and the lifetime of the units.

The principal characteristics of the LTIPs as at 31 December 2018 are summarised below:

	LTIP 2013 ⁽⁵⁾	LTIP 2014 ⁽⁶⁾	LTIP 2015 ⁽⁷⁾	LTIP 2016	LTIP 2017	LTIP 2018						
Grant date ⁽¹⁾	17 December 2013	13 November 2014	29 October 2015	25 October 2016	30 October 2017	30 October 2018						
	Performance and Restricted Unit Plan						Performance Plan					
Units	Performance	Restricted	Performance	Restricted	Performance	Restricted	Units	Shares	Units	Shares	Units	Shares
Number of units granted ⁽²⁾	1,245,052	359,060	1,114,962	291,420	926,398	240,972	615,792	621,198	421,638	425,702	278,376	281,181
Number of units outstanding ⁽³⁾	0	0	424,260	134,198	656,406	231,396	592,391	594,561	411,841	415,905	278,376	281,181
Total number of eligible beneficiaries	1,709		1,621		1,564		1,671		1,601		1,626	
Vesting conditions	The Performance and Restricted Units and Performance Shares will vest if the participant is still employed by a company of the Group at the respective vesting dates. Performance Units and Shares will vest upon achievement of mid-term business performance. Vesting schedule is made up of two payments (four payments until LTIP 2013) over two years.											
Share price per unit limited at vesting dates to ⁽⁴⁾	€ 92.34		€ 94.90		€ 112.62		€ 105.34 -		€ 147.62 -		€ 213.88 -	
Vesting dates	25% each: in May 2017 in November 2017 in May 2018 in November 2018		50 % in June 2018 50% expected in June 2019		50% each expected: in June 2019 in July 2020		50% each expected: in May 2020 100% in May 2021 expected		50% each expected: in May 2021 100% in May 2022 expected in May 2021		50% each expected: in May 2022 100% in May 2023 expected in May 2022	
Number of vested units	855,686	333,415	399,540	138,527	2,606	0	0	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 the Company) during the performance period, the Board of Directors can decide to review the vesting of the Performance Units including the 50% portion which is not subject to performance conditions (additional vesting condition).

(3) Including shares granted through the Equity Pool, if applicable.

(4) 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 € 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) and € 106.94 (for LTIP 2018).

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

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

(7) Based on performance achievement of 75% for Performance Units under LTIP 2015.

30.2 ESOP

In 2018 and 2017, 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 (2018: 5, 15, 30, 50 or 100 shares; 2017: 5, 20, 30, 50 or 100 shares). The Company matched each fixed number of shares with a number of the Airbus SE free shares based on a determined ratio (2018: 4, 7, 10, 13 and 25 free shares, respectively; 2017: 4, 8, 10, 13 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 Airbus SE shares have, in addition, the ability to vote at the annual shareholder meetings. The subscription price was equal to the closing price at the Paris stock exchange on 14 February 2018 (2017: 21 February 2017) and amounted to € 84.17 (2017: € 67.24). 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 14 February 2018 (2017: 21 February 2017), resulting in a price of € 88.65 (2017: € 64.44). Airbus SE issued and sold 446,059 ordinary shares (2017: 411,710) with a nominal value of € 1.00 each. Compensation expense (excluding social security contributions) of € 38 million (2017: € 28 million) was recognised in connection with ESOP.

31. Remuneration

31.1 Remuneration – Executive Committee

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

<i>(In € million)</i>	2018	2017
Executive Committee, including Executive Board Member		
Salaries and other short-term benefits (including bonuses)	18.7	25.4
Post-employment benefit costs	4.7	6.9
Share-based remuneration ("LTIP award", including associated hedge result)	5.3	8.8
Termination benefits	8.6	10.9
Other benefits	0.5	0.6
Social charges	8.7	7.1
Non-executive board members		
Short-term benefits (including social charges)	2.0	2.1
Total expense recognised	48.5	61.8

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 2018 for Executive Committee Members based on estimated performance achievement at year-end was € 9.3 million (2017: € 12.5 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 € 61.6 million at 31 December 2018 (2017: € 78.6 million). The disclosed post-employment and other long-term benefits reflect the total outstanding balance for all Executive Committee Members in charge at the end of the respective balance sheet date.

Share-Based Remuneration (“LTIP Award”)

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

In 2018, the Members of the Executive Committee were granted 18,554 Performance Units (2017: 53,108) and 21,359 Performance Shares (2017: 57,172) for LTIP 2018, the respective fair value of these Performance Units and Shares at the respective grant dates was €3.8 million (2017: €8.8 million). Fair value of outstanding LTIP balances at the end of 2018 for all Executive Committee Members was €9.4 million (2017: €17.4 million). The total number of outstanding Performance and Restricted Units amounted to 189,260 at 31 December 2018 (2017: 384,867), granted to the current Members of the Executive Committee.

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

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

	LTIP 2013	LTIP 2014	LTIP 2015
Total number of units granted	152,250	159,448	189,476
Number of cash-settled units	103,725	117,816	143,217
Number of equity-settled units	48,525	41,632	46,259
Date of conversion	28 February 2014	28 February 2015	28 February 2016
Share price at date of conversion	€ 53.39	€ 55.33	€ 59.78

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

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

Other Benefits

Other benefits include expenses for Executive Committee Members' company cars and accident insurance. There were no outstanding liabilities at 31 December 2018 or 2017, respectively.

31.2 Remuneration – CEO

The total remuneration of the CEO and Executive Member of the Board of Directors, related to the reporting periods 2018 and 2017, can be summarised as follows:

(In €)	2018	2017
Base salary	1,500,000	1,500,000
Annual variable pay	2,167,500	1,912,500
Post-employment benefit costs	1,136,706	1,175,057
Share-based remuneration ("LTIP award") ⁽¹⁾	1,203,767	1,551,666
Termination benefits	302,256	2,900,000
Other benefits	61,144	63,250
Social charges	12,205	12,012

(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 2018 was € 1,364,541 (2017: € 1,372,048).

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 € 26,303,930 as of 31 December 2018 (2017: € 21,176,042). The change in valuation is due to changes in actuarial assumptions (e.g. mortality table, expected pension increase, retirement age). There has been no change in the pension promise for the CEO in 2018.

For the fiscal year 2018, the current service and interest costs related to the CEO's pension promise represented an expense of € 1,136,706 (2017: € 1,175,057). This amount has been accrued in the Consolidated Financial Statements.

Share-Based Remuneration

In 2018, due to the announcement of his departure, the CEO has not been granted with Performance Units nor Performance Shares.

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

Granted Date	LTIP 2013	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017
Performance Units and Shares	30,300	29,500	24,862	28,480	20,324
Revaluation	75%	80%	75%	100%	100%
Performance Units and Shares revalued	22,724	23,600	18,648	28,480	20,324
Vested in 2018					
in cash	11,364	8,850	0	0	0
in shares	11,360	0	0	0	0
Outstanding 2018					
in cash	0	8,850	13,986	14,240	10,162
in shares	0	5,900	4,662	14,240	10,162
Vesting schedule					
Cash-settled units	For vesting dates, see "– Note 30.1: LTIP"				
Equity-settled units	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 2018 for the CEO was € 2,257,848 (2017: € 2,732,125).

Termination Benefits

Termination benefits include non-compete indemnity estimated according to art. 74 *et seq.* of the German Commercial Code ("BGB") based on 2018 data.

For more details, 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 2018, the total amount expensed was € 61,144 (2017: € 63,250). The Company 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:

(In €)	2018			2017		
	Fixum ⁽¹⁾	Attendance fees ⁽²⁾	Total	Fixum ⁽¹⁾	Attendance fees ⁽²⁾	Total
Non-Executive Board Members						
Denis Ranque	210,000	75,000	285,000	204,293	80,000	284,293
Victor Chu ⁽⁵⁾	72,376	50,000	122,376	0	0	0
Jean-Pierre Clamadieu ⁽⁶⁾	72,376	50,000	122,376	0	0	0
Ralph D. Crosby Jr.	100,000	75,000	175,000	94,420	80,000	174,420
Lord Drayson ⁽³⁾	114,475	55,000	169,475	72,100	60,000	132,100
Catherine Guillooard	120,000	75,000	195,000	120,000	70,000	190,000
Herrmann-Josef Lamberti	130,000	65,000	195,000	135,707	70,000	205,707
María Amparo Moraleda Martínez	127,238	65,000	192,238	120,000	80,000	200,000
Claudia Nemat	100,000	75,000	175,000	100,000	70,000	170,000
René Obermann ⁽⁵⁾	72,376	55,000	127,376	0	0	0
Carlos Tavares	80,000	50,000	130,000	80,000	65,000	145,000
Former Non-Executive Board Members						
Hans-Peter Keitel ⁽⁴⁾	27,900	10,000	37,900	100,000	60,000	160,000
Lakshmi N. Mittal	0	0	0	28,176	10,000	38,176
Sir John Parker ⁽⁴⁾	36,270	10,000	46,270	135,707	65,000	200,707
Jean-Claude Trichet ⁽⁴⁾	27,900	10,000	37,900	100,000	80,000	180,000
Total	1,290,910	720,000	2,010,910	1,290,403	790,000	2,080,403

(1) The fixum includes a base fee for a Board membership and a Committee fee membership within the Audit Committee, the RNGC and/or the E&C Committee. The fixum for the year 2018 was paid 50% in January 2018 and 50% in July 2018. The fixum for the year 2017 was paid 50% in January 2017 and 50% in July 2017.

(2) The attendance fees related to the first semester 2018 were paid in July 2018, those related to the second semester 2018 were paid in January 2019. The attendance fees related to the first semester 2017 were paid in July 2017, those related to the second semester 2017 were paid in January 2018.

(3) Member of the E&C Committee as of 11 April 2018.

(4) Not a Member of the Company Board of Directors as of 11 April 2018.

(5) Member of the Company Board of Directors and the AC as of 11 April 2018.

(6) Member of the Company Board of Directors and the Remuneration, Nomination and Governance Committee ("RNGC") as of 11 April 2018.

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:

<i>(In number of shares)</i>	2018	2017
Issued at 1 January	774,556,062	772,912,869
Issued for ESOP	1,811,819	1,643,193
Issued at 31 December	776,367,881	774,556,062
Treasury shares	(636,924)	(129,525)
Outstanding at 31 December	775,730,957	774,426,537

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 € 9,724 million (2017 (restated): € 10,740 million) representing a decrease of € -1,016 million. This is due to a decrease in other comprehensive income of € -2,982 million, principally related to the mark to market revaluation of the hedge portfolio of € -2,249 million, a change in actuarial gains and losses income of € -569 million and a dividend payment of € -1,161 million (€ 1.50 per share), partly compensated by a net income for the period of € 3,054 million.

Capital stock comprises the nominal amount of shares outstanding. The addition to capital stock represents the contribution for exercised options by employees of € 1,811,819 (in 2017: € 1,643,193) in compliance with the implemented ESOPs.

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

Retained earnings include mainly the 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 € -569 million in 2018 (2017: € 151 million), and cash dividend payments to Airbus SE shareholders.

On 11 April 2018, the Shareholders' General Meeting decided to distribute a gross amount of € 1.50 per share, which was paid on 18 April 2018. For the fiscal year 2018, the Company's Board of Directors proposes a cash distribution payment of € 1.65 per share.

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2018, the number of treasury stock held by the Company increased to 636,924 compared to 129,525 as of 31 December 2017. No shares were sold back to the market nor cancelled (in 2017: 0 shares).

On 11 April 2018, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2019, 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 11 April 2018, the AGM authorised the Board of Directors for an 18 month period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

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

32.2 Non-Controlling Interests

Non-controlling interests ("NCI") from non-wholly owned subsidiaries decreased to €-5 million as of 31 December 2018 (2017 restated: € 2 million). These NCI do not have a material interest in the Company's activities and cash flows.

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

Principal place of business	Alestis Areospace S.L.		PFW Areospace GmbH	
	La Rinconada (Spain)		Speyer (Germany)	
	2018	2017	2018	2017
Ownership interest held by NCI	38.09%	38.09%	25.10%	25.10%
NCI (in € million)	(20)	(18)	(7)	(8)
Profit (loss) allocated to NCI (in € million)	4	(2)	2	4

33. Capital Management

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

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

Rating Agency	Long-term rating	Outlook	Short-term rating
Standard and Poor's	A+	Stable	A-1+
Moody's Investors Services	A2	Stable	P-1
Fitch Rating (unsolicited)	A-	Stable	F-2

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

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

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

The key elements of the Value Based Management concept are:

- the definition of financial returns;
- the definition of the Company's capital base; and
- the measurement of value creation derived from the two above.

The Company uses Return on Capital Employed ("RoCE") to measure the value created by financial returns relative to its capital base. RoCE, as defined by the Company, uses EBIT for the numerator and Average Capital Employed for the denominator. The Average Capital Employed for the Company is defined as the average of the annual opening and closing positions of Fixed Assets plus Net Operating Working Capital plus Operating Cash less Other Provisions.

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

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

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

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

34. Net Cash

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

<i>(In € million)</i>	31 December	
	2018	2017
Cash and cash equivalents	9,413	12,016
Current securities	2,132	1,627
Non-current securities	10,662	10,944
Gross cash position	22,207	24,587
Short-term financing liabilities	(1,463)	(2,212)
Long-term financing liabilities	(7,463)	(8,984)
Total	13,281	13,391

The **net cash** position on 31 December 2018 amounted to € 13,281 million (2017: € 13,391 million), with a gross cash position of € 22,207 million (2017: € 24,587 million).

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

34.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

<i>(In € million)</i>	31 December	
	2018	2017
Bank account and petty cash	1,862	3,672
Short-term securities (at fair value through profit and loss)	6,576	6,256
Short-term securities (at fair value through OCI) ⁽¹⁾	984	2,085
Others	6	8
Total cash and cash equivalents	9,428	12,021
Recognised in disposal groups classified as held for sale	15	5
Recognised in cash and cash equivalents	9,413	12,016

(1) IFRS 9 new classification category (prior year-end: available-for-sale).

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 the Company's securities consists of debt securities and are classified at fair value through OCI (2017: available-for-sale financial assets) (see "– Note 35.2: Carrying Amounts and Fair Values of Financial Instruments").

The Company's security portfolio amounts to € 12,794 million and € 12,571 million as of 31 December 2018 and 2017, respectively. The security portfolio contains a **non-current portion** classified at fair value through OCI of € 10,662 million (2017: € 10,944 million available-for-sale securities), and a **current portion** of € 2,132 million (2017: € 1,627 million).

Included in the securities portfolio as of 31 December 2018 and 2017, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,152 million nominal value; 2017: € 12,023 million) or floating rate coupons (€ 504 million nominal value; 2017: € 376 million), foreign currency funds of hedge funds (€ 0 million nominal value; 2017: € 5 million) and foreign currency funds of fixed income funds (€ 10 million fair value; 2017: € 11 million).

When the Company enters into securities lending or other financing activities that involve the pledging of securities as collateral, the securities pledged continue to be recognised on the balance sheet. As of 31 December 2018, securities for an amount of € 63 million were pledged as collateral for borrowings from banks (2017: € 67 million).

34.3 Financing Liabilities

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

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

<i>(In € million)</i>	Not exceeding 1 year	Over 1 year up to 5 years	More than 5 years	Total
Bonds and commercial papers	0	2,386	4,273	6,659
Liabilities to financial institutions	86	150	117	353
Loans	70	203	26	299
Finance lease liabilities	23	146	161	330
Others ⁽¹⁾	1,284	1	0	1,285
31 December 2018	1,463	2,886	4,577	8,926
Bonds and commercial papers	512	1,524	5,027	7,063
Liabilities to financial institutions	290	1,397	325	2,012
Loans	144	200	185	529
Finance lease liabilities	17	139	186	342
Others ⁽¹⁾	1,249	1	0	1,250
31 December 2017	2,212	3,261	5,723	11,196

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by €-1,521 million to €7,463 million (2017: €8,984 million), as a result of early settlement of liabilities to financial institutions with the European Investment Bank ("EIB").

Short-term financing liabilities decreased by €-749 million to €1,463 million (2017: €2,212 million). The decrease in short-term financing liabilities is mainly related to the settlement of a Euro Medium Term Note ("EMTN") bond in September 2018.

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

The Company can issue **commercial paper** under the so called "billet de trésorerie" programme at floating or fixed interest rates corresponding to the individual maturities ranging from 1 day to 12 months. The programme has been set up in 2003 with a maximum volume of €2 billion, increased in 2013 to a maximum volume of €3 billion. As of 31 December 2018, 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 2018.

Financing liabilities include outstanding debt of €25 million (2017: €46 million) relating to a **loan** Airbus 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:

	Carrying amount		Issuance date	Coupon or interest rate	Effective interest rate	Maturity date	Additional features	
	Principal amount	(In € million)						
	(In million)	31 December 2018						
EMTN 15 years	€ 500	0	512	Sep 2003	5.50%	5.58%	Sep 2018	Interest rate swapped into 3M Euribor +1.72%
US\$ Bond 10 years	US\$ 1,000	848	818	Apr 2013	2.70%	2.73%	Apr 2023	Interest rate swapped into 3M Libor +0.68%
EMTN 10 years	€ 1,000	1,038	1,031	Apr 2014	2.375%	2.394%	Apr 2024	Interest rate swapped into 3M Euribor +1.40%
EMTN 15 years	€ 500	523	517	Oct 2014	2.125%	2.194%	Oct 2029	Interest rate swapped into 3M Euribor +0.84%
Convertible bond 7 years	€ 500	477	470	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	594	584	May 2016	0.875%	0.951%	May 2026	Interest rate swapped into 3M Euribor
EMTN 15 years	€ 900	865	851	May 2016	1.375%	1.49%	May 2031	Interest rate swapped into 3M Euribor
Exchangeable bonds 5 years	€ 1,078	1,061	1,054	Jun 2016	0.00%	0.333%	Jun 2021	Exchangeable into Dassault Aviation shares issued at 103.75%
US\$ Bond 10 years	US\$ 750	632	615	Apr 2017	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US\$ Bond 30 years	US\$ 750	621	611	Apr 2017	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Bonds		6,659	7,063					
DBJ 10 years	US\$ 300	87	250	Jan 2011	3M US-Libor +1.15%		Jan 2021	Interest rate swapped into 4.76% fixed
EIB 10 years	US\$ 721	0	343	Aug 2011	3M US-Libor +0.85%		Aug 2021	Interest rate swapped into 3.2% fixed
EIB 7 years	US\$ 406	0	339	Feb 2013	3M US-Libor +0.93%		Feb 2020	
EIB 10 years	US\$ 627	0	516	Dec 2014	2.52%	2.52%	Dec 2024	Interest rate swapped into 3M Libor +0.61%
EIB 10 years	US\$ 320	0	267	Dec 2015	6M US-Libor +0.559%		Dec 2025	
Others		266	297					
Liabilities to financial institutions		353	2,012					

Reconciliation of liabilities arising from financing liabilities:

<i>(In € million)</i>	Balance at 1 January 2018	Non-cash movements			Balance at 31 December 2018
		Cash flows	Changes in scope	Foreign exchange movements Others ⁽¹⁾	
Bonds and commercial papers	7,063	(468)	0	64	6,659
Liabilities to financial institutions	2,012	(1,664)	0	5	353
Loans	529	(225)	146	(149)	299
Finance lease liabilities	342	(7)	0	(5)	330
Others	1,250	56	2	(23)	1,285
Total	11,196	(2,308)	148	(108)	8,926

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

The aggregate amounts of financing liabilities maturing during the next five years and thereafter as of 31 December 2018 and 2017 are as follows:

<i>(In € million)</i>	31 December	
	2018	2017
1 year	1,463	2,212
2 years	211	249
3 years	1,212	621
4 years	537	1,719
5 years	926	672
Thereafter	4,577	5,723
Total	8,926	11,196

35. Information about Financial Instruments

35.1 Financial Risk Management

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

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

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

Market Risk

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

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

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

With respect to its commercial aircraft products, until 30 June 2018 the Company typically hedges firmly committed sales in US dollar using a "first flow approach". Under that approach, the foreign currency derivatives the Company entered into were designated as a hedge of the first US dollar inflows received from the customer at aircraft delivery in a given month. The strategy implied that only a portion of the expected monthly customer payments made at aircraft delivery were hedged. For this reason, a reduction of monthly cash inflows as a result of postponements or order cancellations had no impact on the effectiveness of the hedge as long as the actual gross US dollar cash inflows received at aircraft delivery in a particular month exceeded the portion designated as being hedged in that month. However, if the monthly US dollar cash inflows received at aircraft delivery were expected to be, or proved to be, less than the notional amount of the hedges maturing in that month, the excess portion of the hedge notional would disqualify for hedge accounting and the related fair value changes or settlement gains or losses would be recognized in financial result.

As of 30 June 2018, the Company adopted a new hedge strategy to hedge its net exposure (US dollar revenue less US dollar cost) resulting from commercial aircraft deliveries of specific aircraft types. The strategy more closely aligns hedge accounting with risk management activities, and is described in “– Note 4: Change in Accounting Policies and Disclosures”.

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

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

In military aircraft and non-aircraft businesses, the Company hedges inflows and outflows in foreign currencies from firmly committed or highly probable forecast sales and purchase contracts. Here, foreign currency derivatives are typically contracted in lower volumes; they may be accounted for using a first flow approach or are designated as hedges of specific agreed milestone payments. The amount of the expected flows to be hedged can cover up to 100% of the equivalent of the net US dollar exposure at inception. The coverage ratio considers the variability in the range of potential outcomes taking into account macroeconomic movements affecting spot rates and interest rates as well as the robustness of the commercial cycle.

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

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

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

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

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

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

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

A few interest rate swaps that have been entered into as a hedge of certain of the Company variable rate debt (see “– Note 34.3: Financing Liabilities”) are accounted for under the cash flow hedge model. Related fair value gains are recognised in OCI and reclassified to profit or loss when the hedged interest payments affect profit or loss.

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

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

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

Sensitivities of market risks — The approach used to measure and control market risk exposure of the Company's financial instrument portfolio is, use amongst other key indicators, the value-at-risk model (“VaR”). The VaR of a portfolio is the estimated potential loss that will not be exceeded over a specified period of time (holding period) from an adverse market movement with a specified confidence level. The VaR used by the Company is based upon a 95% confidence level and assumes a five-day holding period. The VaR model used is

mainly based on the so called “Monte-Carlo-Simulation” method. The model generates a wide range of potential future scenarios for market price movements by deriving the relevant statistical behaviour of markets for the portfolio of market data from the previous two years and observed interdependencies between different markets and prices.

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

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

- A 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.

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

A summary of the VaR position of the Company financial instruments portfolio at 31 December 2018 and 2017 is as follows:

<i>(In € million)</i>	Total VaR	Equity Price VaR	Currency VaR	Commodity Price VaR	Interest rate VaR
31 December 2018					
Foreign exchange hedges for forecast transactions or firm commitments	711	0	716	0	88
Financing liabilities, financial assets (including cash, cash equivalents, securities and related hedges)	82	28	70	0	34
Finance lease receivables and liabilities, foreign currency trade payables and receivables	21	0	20	0	19
Commodity contracts	3	0	0	3	0
Equity swaps	8	8	1	0	0
Diversification effect	(182)	(6)	(147)	0	(48)
All financial instruments	644	31	659	3	93
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) ⁽¹⁾	63	17	56	0	20
Finance lease receivables and liabilities, foreign currency trade payables and receivables ⁽¹⁾	40	0	23	0	34
Commodity contracts	2	0	0	2	0
Equity swaps	2	2	0	0	0
Diversification effect ⁽¹⁾	(162)	(3)	(133)	0	(56)
All financial instruments ⁽¹⁾	817	17	859	2	87

(1) Previous year figures are restated due to the application of IFRS 15.

The decrease of the total VaR as of 31 December 2018 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, compared to year-end 2017. The Company uses its derivative instruments entirely for hedging purposes. As a result, the respective market risks of these hedging instruments are – depending on the hedges' actual effectiveness – offset by corresponding opposite market risks of the underlying forecast transactions, assets or liabilities. Under IFRS 7, the underlying forecast transactions do not qualify as financial instruments and are therefore not included in the tables shown above. Accordingly, the VaR of the foreign exchange hedging portfolio in the amount of € 711 million (2017: € 872 million) cannot be considered as a risk indicator for the Company in the economic sense.

Liquidity Risk

The Company's policy is to maintain sufficient cash and cash equivalents at any time to meet its present and future commitments as they fall due. It manages its liquidity by holding adequate volumes of liquid assets and maintains a committed credit facility (€ 3.0 billion as of 31 December 2018 and 2017) in addition to the cash inflow generated by its operating business. The Company continues to keep within the asset portfolio the focus on low counterparty risk. In addition, it maintains a set of other funding sources, and accordingly may issue bonds, notes and commercial papers or enter into security lending agreements. Adverse changes in the capital markets could increase its funding costs and limit its financial flexibility.

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

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

<i>(In € million)</i>	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 2018								
Non-derivative financial liabilities	(28,302)	(29,843)	(20,541)	(429)	(1,452)	(726)	(1,075)	(5,620)
Derivative financial liabilities	(2,755)	(4,479)	(1,806)	(1,075)	(868)	(492)	(157)	(81)
Total	(31,057)	(34,322)	(22,347)	(1,504)	(2,320)	(1,218)	(1,232)	(5,701)
31 December 2017								
Non-derivative financial liabilities ⁽¹⁾	(25,185)	(27,030)	(16,280)	(428)	(812)	(1,896)	(829)	(6,785)
Derivative financial liabilities	(2,271)	(3,063)	(1,167)	(835)	(184)	(3)	(2)	(872)
Total ⁽¹⁾	(27,456)	(30,093)	(17,447)	(1,263)	(996)	(1,899)	(831)	(7,657)

(1) Previous year figures are restated due to the application of IFRS 15.

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 € 4,577 million at 31 December 2018 (€ 5,901 million at 31 December 2017) are not included.

Credit Risk

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

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

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

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

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

For further information relating to gross credit risk and impairment see "– Note 35.7: Impairment Losses"

35.2 Carrying Amounts and Fair Values of Financial Instruments

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

From January 2018, the Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows, as described in "– Note 4: Change in Accounting Policies and Disclosures".

Until 31 December 2017, the Company classified its financial assets in the following three categories: (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Classification was determined by management at initial recognition and depended on the purpose of acquisition.

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

Financial assets at fair value through profit or loss — Within the Company, only derivatives not designated as hedges are categorised as held for trading. Furthermore, the Company 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.

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

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

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

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

(2) Finance lease liabilities are accounted for in accordance with IAS 17 in a manner that is similar, though not identical in all respects, to amortised-cost accounting under IFRS 9.

(3) The European Governments' refundable advances of € 4,577 million are measured at amortised cost. Fair values cannot be reliably measured because their risk sharing nature and the uncertainty of the repayment dates give rise to a broad range of reasonable fair value estimates and make it impossible to reasonably assess the probabilities of the various estimates within the range. This may change and reliable fair value measures become available as the related programmes approach the end of production.

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:

(In € million)	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	
	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 ^{(2) (3)}	0	0	0	2,441	0	0	0	2,441	2,441
Customer financing ⁽⁴⁾	0	0	0	0	695	704	76	771	780
Other loans	0	0	0	0	1,521	1,521	0	1,521	1,521
Trade receivables ⁽¹⁾	0	0	0	0	5,487	5,487	0	5,487	5,487
Contract assets ⁽¹⁾	0	0	0	0	497	497	0	497	497
Other financial assets ⁽⁶⁾									
Derivative instruments ⁽⁷⁾	66	0	3,498	0	0	0	0	3,564	3,564
Non-derivative instruments	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 ⁽¹⁾	66	6,256	3,498	17,097	13,270	13,279	76	40,263	40,272
Liabilities									
Financing liabilities									
Bonds and commercial papers									
	0	0	0	0	(7,063)	(7,363)	0	(7,063)	(7,363)
Liabilities to financial institutions and others									
	0	0	0	0	(3,791)	(3,838)	0	(3,791)	(3,838)
Finance lease liabilities ⁽⁵⁾	0	0	0	0	0	0	(342)	(342)	(342)
Other financial liabilities									
Derivative instruments ⁽⁸⁾	(239)	0	(2,032)	0	0	0	0	(2,271)	(2,271)
European Governments' refundable advances ⁽⁶⁾									
	0	0	0	0	(5,901)	(5,901)	0	(5,901)	(5,901)
Others ⁽¹⁾	0	0	0	0	(582)	(582)	0	(582)	(582)
Trade liabilities ⁽¹⁾	0	0	0	0	(13,406)	(13,406)	0	(13,406)	(13,406)
Total ⁽¹⁾	(239)	0	(2,032)	0	(30,743)	(31,090)	(342)	(33,356)	(33,703)

(1) Previous year figures are restated due to the application of IFRS 15.

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

(3) For some equity investments for which market price quotes are not available, fair value estimates are based on valuation techniques. The range of such valuations is significant and the related probabilities cannot be reasonably assessed.

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

(5) 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 "amortised cost".

(6) 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.

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

(8) This includes debit value adjustments of € 18 million, of which € 18 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, the Company determines fair values by using generally accepted valuation techniques on the basis of market information available at the end of the reporting period. Derivative instruments are generally managed on the basis of the Company's net exposure to the credit risk of each particular counterparty and fair value information is provided to the Company's key management personnel on that basis. For these derivative instruments, the fair value is measured based on the price that would be received to sell a net long position, or transfer a net short position, for a particular credit risk exposure as further described below.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability – fair values measured based on Level 2 input typically rely on observable market data such as interest rates, foreign exchange rates, credit spreads or volatilities;
- Level 3: inputs for the asset or liability that are not based on observable market data – fair values measured based on Level 3 input rely to a significant extent on estimates derived from the Company's own data and may require the use of assumptions that are inherently judgemental and involve various limitations.

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

The following table presents the carrying amounts of the financial instruments held for the three levels of the **fair value hierarchy** as of 31 December 2018 and 2017, respectively:

(In € million)	2018				2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	1,778	0	489	2,267	1,963	0	0	1,963
Derivative instruments	0	1,152	165	1,317	0	3,564	0	3,564
Securities	10,721	2,073	0	12,794	10,995	1,576	0	12,571
Cash equivalents	6,576	984	0	7,560	6,256	2,085	0	8,341
Total	19,075	4,209	654	23,938	19,214	7,225	0	26,439
Financial liabilities measured at fair value								
Derivative instruments	0	(2,729)	(26)	(2,755)	0	(2,214)	(3)	(2,217)
Other financial liabilities	0	0	(2,300)	(2,300)	0	0	0	0
Total	0	(2,729)	(2,326)	(5,055)	0	(2,214)	(3)	(2,217)

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

(In € million)	Financial assets				Financial liabilities			
	Commodity swap agreements	Derivatives	Participations	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
Balance at 1 January 2017	0	0	0	0	(28)	(11)	(10)	(49)
Profit or loss	0	0	0	0	0	(9)	0	(9)
Other comprehensive income	0	0	0	0	0	0	0	0
Settlements	0	0	0	0	0	17	0	17
Release	0	0	0	0	28	0	10	38
Balance at 31 December 2017, IAS 39	0	0	0	0	0	(3)	0	(3)
IFRS 9 implementation	0	0	478	478	0	0	0	0
Balance at 1 January 2018, IFRS 9	0	0	478	478	0	(3)	0	(3)
Business combination	0	198	0	198	(2,247)	0	0	(2,247)
Profit or loss	0	25	0	25	0	(67)	0	(67)
Other comprehensive income	0	0	23	23	0	0	0	0
Settlements	0	(58)	(12)	(70)	0	44	0	44
Others	0	0	0	0	(53)	0	0	(53)
Balance at 31 December 2018	0	165	489	654	(2,300)	(26)	0	(2,326)

The financial liabilities measured at fair value that are classified as Level 3 consist mainly of the written put options on non-controlling interests resulting from the acquisition of CSALP (see "– Note 6: Acquisitions and Disposals").

The Company has remeasured certain unlisted equity investments as described in “– Note 4: Change in Accounting Policies and Disclosures”. The fair value of some of these equity investments have been determined using valuation methods such as the net asset value technique.

For short-term commodity contracts, the notional amounts, being the unobservable input, are set with reference to monthly commodity volumes that management expects to purchase based on planning forecasts. The fair values are otherwise determined using observable market data including quoted interest rates and pricing information obtained from recognised vendors of market data.

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2018 and 2017, respectively, are designated at fair value through profit or loss:

<i>(In € million)</i>	Nominal amount at initial recognition at 31 December 2018	Fair value at 31 December 2018	Nominal amount at initial recognition at 31 December 2017	Fair value at 31 December 2017
Designated at fair value through profit or loss at recognition:				
Money market funds (accumulating)	5,415	5,416	6,256	6,256
Foreign currency funds of hedge funds	0	0	5	0
Foreign currency funds of fixed income funds	9	9	11	11
Total	5,424	5,425	6,272	6,267

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

In addition, the Company invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 1159 million (2017: € 1,186 million).

Fair Value Measurement Method

The Company uses the following methods to measure fair values:

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

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

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

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

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

Derivatives — The fair values of derivative instruments reflect quoted market prices, where available, but in most cases are determined using recognised valuation techniques such as option-pricing models and discounted cash flow models. The valuation is based on observable market data such as currency rates, currency forward rates, interest rates and yield curves, commodity forward prices as well as price and rate volatilities obtained from recognised vendors of market data. Furthermore, to the extent that these instruments are subject to master netting arrangements and similar agreements and managed on the basis of net credit exposure, their fair values reflect credit and debit value adjustments based on the net long or net short position that the Company has with each counterparty. Except for certain short-term commodity contracts 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 commercial papers, are determined based on Level 2 input by discounting scheduled or expected cash flows using appropriate market interest rates. The fair values disclosed for the issued EMTN and US dollar bonds reflect public price quotations that qualify as Level 1 input. For issued commercial papers, the carrying amounts reflected in the annual accounts are used as reasonable estimates of fair value because of the relatively short period between the origination of these instruments and their maturity.

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

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 2018 and 2017:

(Rate in %)	31 December					
	2018		2017		2018	
	€		US\$		£	
6 months	(0.30)	(0.32)	2.95	1.91	1.05	0.87
1 year	(0.19)	(0.22)	3.10	2.18	1.29	0.90
5 years	0.14	0.25	2.60	2.24	1.31	1.03
10 years	0.76	0.81	2.73	2.39	1.44	1.27

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

The Company reports all its financial assets and financial liabilities on a gross basis. With each derivative counterparty there are master netting agreements in place providing for the immediate close-out of all outstanding derivative transactions and payment of the net termination amount in the event a party to the agreement defaults or another defined termination event occurs. Furthermore, securities lending transactions are accounted for as collateralised borrowings. As a result, the securities pledged as collateral continue to be recognised on the balance sheet and the amount of cash received at the outset of the transaction is separately recognised as a financial liability. The following tables set out, on a counterparty specific basis, the potential effect of master netting agreements and collateralised borrowings on the Company's financial position, separately for financial assets and financial liabilities that were subject to such agreements as of 31 December 2018 and 2017, respectively:

(In € million)	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in statement of financial positions		Net amount
				Financial instruments	Cash collateral received	
31 December 2018						
Financial asset	1,186	0	1,186	(872)	0	314
Financial liabilities	2,726	0	2,726	(872)	0	1,854
31 December 2017						
Financial asset	3,564	0	3,564	(2,068)	44	1,540
Financial liabilities	2,271	0	2,271	(2,068)	0	203

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 the Company through its use of derivatives.

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

(In € million)	Remaining period						Total
	1 year	2 years	3 years	4 years	5 years	> 5 years	
31 December 2018							
Net forward sales contracts	20,843	18,496	13,540	6,173	1,098	71	60,221
Foreign exchange options	1,642	4,048	1,467	0	0	0	7,157
Foreign exchange swap contracts	0	2,473	0	0	0	0	2,473
31 December 2017							
Net forward sales contracts	18,568	16,596	14,007	8,304	2,356	241	60,072
Foreign exchange options	0	3,160	3,865	1,401	0	0	8,426
Foreign exchange swap contracts	(610)	0	0	0	0	0	(610)

The following table sets out the notional amount of foreign exchange hedges in place as of 31 December 2018 relating to the commercial activities of Airbus, and the average euro converted rates applicable to corresponding EBIT.

(In \$ million)	2019	2020	2021	2022	2023+	Total
Total hedges	27,544	26,824	18,631	7,585	1,339	81,923
Forward rates						
€/US\$	1.23	1.23	1.24	1.27	1.30	1.24
£/US\$	1.45	1.37	1.36	1.35	1.37	1.40

In 2018 new hedge contracts of US\$ 19.0 billion (2017: US\$ 12.4 billion) were added at an average rate of 1.25 US\$/€ (2017: 1.22 US\$/€).

As of 31 December 2018, the total hedge portfolio with maturities up to 2024 amounts to US\$ 81.9 billion (2017: US\$ 88.7 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 2024 amounts to 1.24 US\$/€ (2017: 1.23 US\$/€) and for the US\$/£ hedge portfolio until 2023 amounts to 1.40 US\$/£ (2017: 1.43 US\$/£).

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

<i>(In € million)</i>	Remaining period								Total
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	
31 December 2018									
Interest rate contracts	939	7	172	4	1,048	1,000	600	1,200	4,970
Interest rate future contracts	215	0	0	0	0	0	0	0	215
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

Please also refer to “– Note 34.3: Financing Liabilities”.

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

<i>(In € million)</i>	Remaining period					Total
	1 year	2 years	3 years	4 years	> 4 years	
31 December 2018	36	19	14	10	3	81
31 December 2017	53	21	13	8	2	97

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

<i>(In € million)</i>	Remaining period					Total
	1 year	2 years	3 years	4 years	> 4 years	
31 December 2018	49	37	27	9	0	123
31 December 2017	52	49	19	0	0	120

35.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the **reconciliation of AOCI**, net of tax, resulting from cash flow hedge accounting as of 31 December 2018 under IFRS 9:

<i>(In € million)</i>	Hedging reserve
Balance at 1 January 2018 ⁽¹⁾	(776)
Changes in fair values	3,832
Foreign exchange contracts	3,825
Others	7
Amount reclassified to profit or loss (matured hedges)	(800)
Foreign exchange contracts	(799)
Others	(1)
Amount classified to profit or loss (inefficiency)	(4)
Foreign exchange contracts	(4)
Others	0
Tax impact	(779)
Balance at 31 December 2018	1,473

(1) Restated from IFRS 9, including the time value of options.

The following table presents the reconciliation of OCI, net of tax, resulting from cash flow hedge accounting as of 31 December 2017 under IAS 39:

<i>(In € million)</i>	Equity attributable to equity owners of the parent	NCI	Total
Balance at 1 January 2017	(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 fair 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
Balance at 31 December 2017	604	(6)	598

The following table presents the amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows for cash-flow hedges as of 31 December 2018 under IFRS 9:

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

(1) Including the time value of the options and the forward element accounted for as a cost of hedging similar to the time value of options as described in “– Note 4: Change in Accounting Policies and Disclosures”.

The following table presents the amounts relating to items designated as hedging instruments were as follows as of 31 December 2017 under IAS 39:

<i>(In € million)</i>	2017	
	Assets	Liabilities
Foreign currency contracts - cash flow hedges	3,386	(1,888)
Foreign currency contracts - not designated in a hedge relationship	1	(5)
Interest rate contracts - cash flow hedges	0	(11)
Interest rate contracts - fair value hedges	69	(84)
Interest rate contracts - not designated in a hedge relationship	31	(35)
Commodity contracts - cash flow hedges	5	(9)
Commodity contracts - not designated in a hedge relationship	2	(3)
Equity swaps - cash flow hedges	38	0
Embedded bonds conversion option - not designated in a hedge relationship	0	(196)
Embedded foreign currency derivatives - cash flow hedges	0	(39)
Embedded foreign currency derivatives - not designated in a hedge relationship	32	(1)
Total	3,564	(2,271)

35.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2018 and 2017, respectively, are as follows:

<i>(In € million)</i>	2018	2017
Financial assets or financial liabilities at fair value through profit or loss		
Held for trading	(104)	603
Designated on initial recognition	(254)	(214)
Financial assets at amortised cost	(30)	0
Loans and receivables ^{(1) (2)}	0	(21)
Financial assets at fair value through OCI (previously available-for-sale)	2	(268)
Financial liabilities measured at amortised cost	1360	1,303

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Includes impairment losses for 2017 (IAS 39).

Net gains of €329 million (2017: net gains of €398 million) are recognised directly in equity relating to financial assets at fair value.

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

35.7 Impairment Losses

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

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

<i>(In € million)</i>	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired ECL	Total
At 1 January 2018	3.36	0	0	3.36
Change in financial assets	0.07	0.75	0	0.82
Change in risk parameters	0.06	0.38	0	0.44
At 31 December 2018	3.49	1.13	0	4.62

The following table breaks down the **gross carrying amount of loans and receivables** according to IFRS 9, separately showing those that are impaired, renegotiated or past due:

<i>(In € million)</i>	Not past due	Renegotiated/ 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	Impairment charge	Total
31 December 2018										
Trade receivables	4,647	179	229	317	300	98	84	400	(175)	6,079
Contract assets	856	0	0	0	0	0	0	0	0	856
Others	2,410	2	191	81	43	37	62	503	(204)	3,125
Total ⁽¹⁾	7,913	181	420	398	343	135	146	903	(379)	10,060

(1) Customer financing loans and finance leases are valued at fair value through profit and loss under IFRS 9. Hence, no impairment applies.

The following table breaks down the gross carrying amount of loans and receivables according to IAS 39, separately showing those that are impaired, renegotiated or past due:

<i>(In € million)</i>	Not past due	Renegotiated/ 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 ⁽¹⁾	4,190	226	151	430	163	144	64	369	5,738
Contract assets ⁽¹⁾	497	0	0	0	0	0	0	0	497
Others	2,214	0	254	65	145	31	180	228	3,117
Total ⁽¹⁾	6,994	226	1,172	498	311	178	307	600	10,287

(1) Previous year figures are restated due to the application of IFRS 15.

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

The following **impairment losses** on financial assets are recognised in profit or loss in 2018 and 2017, respectively:

<i>(In € million)</i>	2018	2017
Other investments and other long-term financial assets		
Equity instruments ⁽²⁾	0	(64)
Customer financing	0	(10)
Other loans	(32)	(4)
Trade receivables ⁽¹⁾	(40)	(43)
Contract assets ⁽¹⁾	0	(3)
Total ⁽¹⁾	(72)	(124)

(1) Previous year figures are restated due to the application of IFRS 15.

(2) Customer financing and equity instruments are now measured at fair value.

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.

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

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

WTO

Although the Company is not a party, the Company is supporting the European Commission in litigation before the WTO. Following its unilateral withdrawal from the 1992 EU-US Agreement on Trade in Large Civil Aircraft, the US lodged a request on 6 October 2004 to initiate proceedings before the WTO. On the same day, the EU launched a parallel WTO case against the US in relation to its subsidies to Boeing. 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 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 was referred to the WTO for further review pursuant to WTO rules. A decision was published in May 2018 in which the WTO clarified that the EU and the Company have achieved compliance in respect of the majority of the subsidies at issue but considered that some remaining obligations required minor adjustments, which have since been addressed by the EU. Because the US did not agree on the EU compliance efforts, the US requested the resumption of Article 22.6 arbitration proceedings to quantify the amount of countermeasures against the EU. In September 2018, the US requested an annual amount of countermeasures of US\$ 11.2 billion. The Company considers the US' request unjustified given the measures taken to comply with the Appellate Body decision of May 2018. The Company has worked with the European Commission and the Member State governments to fully implement the WTO findings in the Appellate Body's decision and asserts that the new measures taken render the sanctions request moot.

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

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

Eurofighter Austria

In 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. The Company has filed several submissions 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. The Company is cooperating fully with the authorities.

Investigation by the UK SFO and France's PNF and Related Commercial Litigation

In the context of review and enhancement of its internal compliance improvement programme, the Company discovered misstatements and omissions relating to information provided in respect of third party consultants in certain applications for export credit financing for the Company's customers. In early 2016, the Company informed the UK, German and French Export Credit Agencies (“ECAs”) of the irregularities it had discovered. The Company made a similar disclosure to the UK Serious Fraud Office (“SFO”). In August 2016, the SFO

informed the Company 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 the Company that it had also opened a preliminary investigation into the same subject and that the two authorities would act in coordination going forward. The Company is cooperating fully with both authorities including in respect of potential issues across the Company's business. As part of the Company's 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. The Company is cooperating with the US authorities in close coordination with the SFO and PNF. The investigations and any penalties potentially levied as a result could have negative consequences for the Company. The potential imposition of any monetary penalty (and the amount thereof) or other sanction including tax liability arising from the 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 the Company. 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 the Company (ii) adverse consequences on the Company's ability to obtain or continue financing for current or future projects (iii) limitations on the eligibility of group companies for certain public sector contracts and/or (iv) damage to the Company's business or reputation via negative publicity adversely affecting the Company's prospects in the commercial market place.

In light of these investigations, the Company enhanced certain of its policies, procedures and practices, including ethics and compliance and export control. The Company has revised and implemented improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities. The Company 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 the Company seeking relief. The enhancement of its controls and practices has led to additional commercial litigation and arbitration against the Company 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.

ECA Financing

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

Other Investigations

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

The Company 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, the Company 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). The Company is cooperating with the US authorities. The Company 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.

Other Disputes

In May 2013, the Company was notified of a commercial dispute following the decision taken by the Company to cease a partnership for sales support activities in some local markets abroad. The Company 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 2020 at the earliest.

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

37. Auditor Fees

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year 2018 have been charged by EY to the Company, its subsidiaries and other consolidated entities:

<i>(In € thousand)</i>	2018	2017
Audit of the financial statements	12,098	9,238
Other audit engagements	244	810
Tax services	766	690
Other non-audit services	1,245	5,416
Total	14,353	16,154

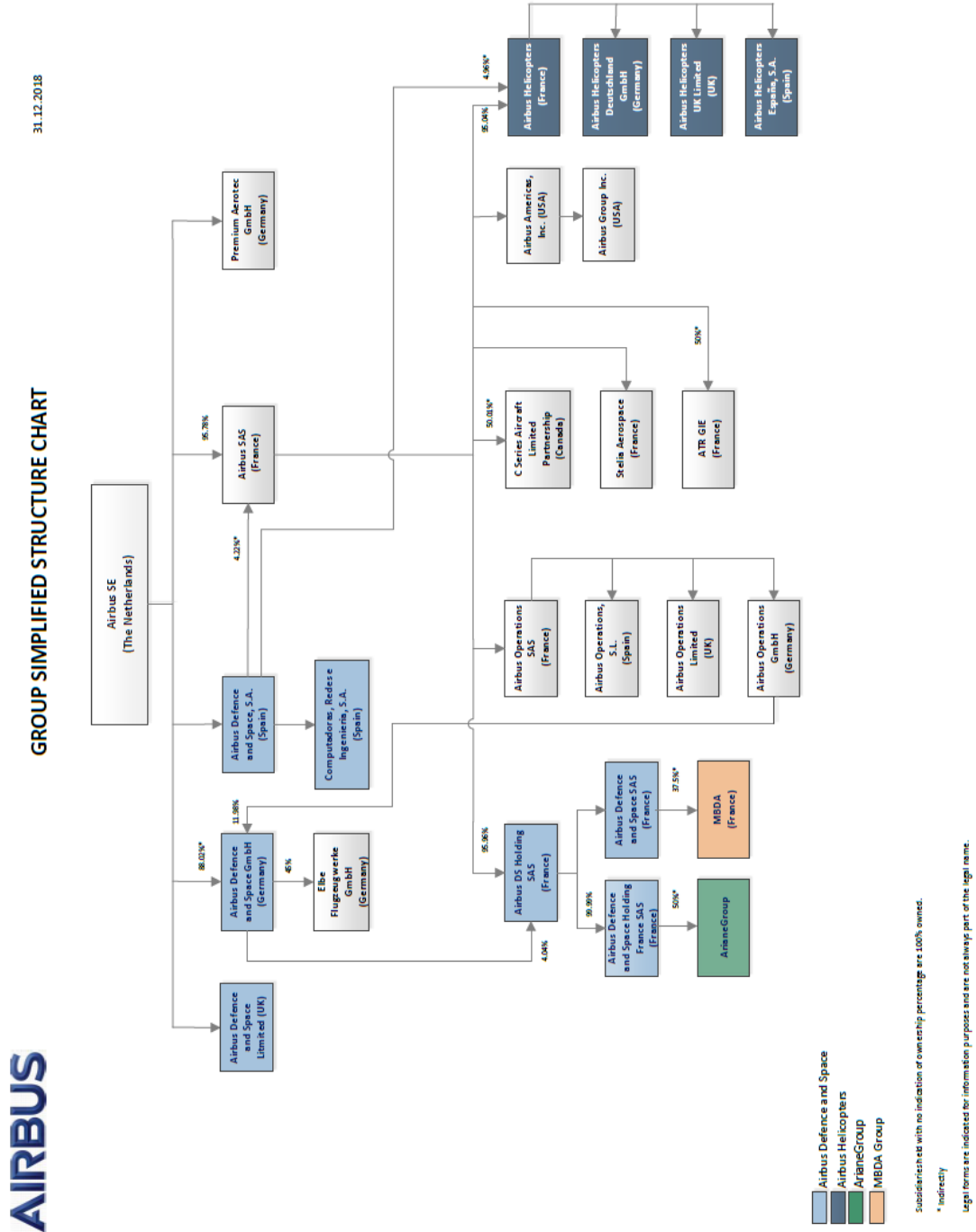
Other audit firms have audit fees related to audit process, certification and examination of individual and consolidated accounts of € 6 million in 2018 (2017: € 5 million).

38. Events after the Reporting Date

The Company and its largest A380 operator signed a head of agreement on 11 February 2019 (see “– Note 10: “Revenue and Gross Margin”).

These Consolidated Financial Statements have been authorised for issuance by the Board of Directors on 13 February 2019.

2.9 Appendix “Simplified Airbus”



Airbus SE

IFRS Company Financial

Statements

I 2018 I

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3.

Airbus SE

IFRS Company Financial Statements

IFRS Company Income Statement for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Operating income		393	656
Operating expenses		(270)	(841)
Income from investments		46	614
Loss on disposal of investments	7	(369)	0
Total operating result	4	(200)	428
Interest income		233	211
Interest expense		(195)	(159)
Other financial result		(33)	(1)
Total financial result	5	5	51
Profit (loss) before income taxes		(195)	479
Tax income (expense)	6	(32)	3
Profit (loss) for the period		(227)	483

IFRS Company Statement of Comprehensive Income for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	2018	2017
Profit (loss) for the period	(227)	483
Other comprehensive income		
<i>Items that will be reclassified to profit or loss:</i>		
Net change in fair value of financial assets ⁽¹⁾	(430)	101
Net change in fair value of cash flow hedges	1	5
Other comprehensive income, net of tax	(429)	106
Total comprehensive income of the period	(656)	589

(1) IFRS9 new classification category (prior-year: change in fair value of available-for-sale financial assets).

IFRS Company Statement of Financial Position at 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Assets			
Non-current assets			
Investments in subsidiaries and associates	7	16,797	16,576
Long-term financial assets	8	1,468	3,040
Non-current other financial assets	8	1,882	3,898
Non-current other assets		1	5
Deferred tax assets	6	12	22
Non-current securities	12	10,473	10,812
		30,633	34,353
Current assets			
Trade receivables		165	31
Current other financial assets	8	2,152	1,938
Current accounts Group companies	8	8,013	9,581
Current other assets		85	124
Current securities	12	2,073	1,576
Cash and cash equivalents	12	7,886	11,038
		20,374	24,288
Total assets		51,007	58,641
Equity and liabilities			
Stockholders' equity			
	11		
Issued and paid up capital		777	775
Share premium		2,941	2,826
Retained earnings		6,636	6,903
Legal reserves		31	459
Treasury shares		(51)	(2)
Result of the year		(227)	483
		10,106	11,444
Non-current liabilities			
Long-term financing liabilities	12	6,746	8,106
Non-current financial liabilities	8	2,015	4,055
		8,761	12,161
Current liabilities			
Short-term financing liabilities	12	0	660
Current accounts Group companies	8	30,175	32,127
Current financial liabilities	8	1,906	1,730
Current other liabilities		58	519
		32,139	35,036
Total equity and liabilities		51,007	58,641

IFRS Company Statement of Cash Flows for the years ended 31 December 2018 and 2017

<i>(In € million)</i>	Note	2018	2017
Profit for the period (Net income)		(227)	483
<i>Adjustments to reconcile profit for the period to cash provided by operating activities:</i>			
Interest income		(233)	(211)
Interest expense		195	159
Interest received		260	209
Interest paid		(139)	(209)
Income tax received		0	0
Depreciation and amortisation		0	0
Valuation adjustments		39	(345)
Tax (income) expense		44	(18)
Change in income tax assets, income tax liabilities and provisions for income tax		(12)	12
Dividends received		(45)	0
Change in current and non-current provisions		1	(31)
Change in other operating assets and liabilities:		(553)	525
• Trade receivables		(134)	106
• Trade liabilities		(425)	406
• Other assets and liabilities		6	13
Cash provided by (used for) operating activities		(670)	575
Investments:			
• Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests	7	(270)	(260)
• Payments for long-term financial assets		(532)	(327)
• Proceeds from disposals of associates, joint ventures, other investments and other long-term financial assets		0	0
• Repayments of other long-term financial assets		1,935	164
• Dividends received		45	0
Payments for investments in securities		(1,874)	(3,742)
Proceeds from disposals of securities		1,845	2,400
Cash provided by (used for) investing activities		1,149	(1,765)
Draw-down in financing liabilities		0	1,399
Repayment of financing liabilities		(2,180)	(88)
Change in current accounts Group companies		(326)	3,118
Cash distribution to Airbus SE shareholders		(1,161)	(1,043)
Changes in capital		117	83
Share buyback		(49)	1
Cash (used for) provided by financing activities		(3,599)	3,470
Effect of foreign exchange rate changes on cash and cash equivalents		(32)	0
Net increase in cash and cash equivalents		(3,152)	2,280
Cash and cash equivalents at beginning of period		11,038	8,758
Cash and cash equivalents at end of period	12	7,886	11,038

IFRS Company Statement of Changes in Equity for the years ended 31 December 2018 and 2017

	Legal reserves ⁽¹⁾						Total equity
	Capital stock	Share premium	Retained earnings	Financial assets at fair value ⁽²⁾	Cash flow hedges	Treasury shares	
Balance at 1 January 2017	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
<i>Total comprehensive income of the period</i>	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
Restatements ⁽³⁾	0	0	367	(370)	0	0	(3)
Balance at 1 January 2018	775	2,826	7,753	90	(1)	(2)	11,441
Profit for the period	0	0	(227)	0	0	0	(227)
Other comprehensive income	0	0	0	(59)	1	0	(58)
<i>Total comprehensive income of the period</i>	0	0	(227)	(59)	1	0	(285)
Capital increase	2	115	0	0	0	0	117
Share-based payments (IFRS 2)	0	0	43	0	0	0	43
Cash distribution to Airbus SE shareholders	0	0	(1,161)	0	0	0	(1,161)
Change in treasury shares	0	0	0	0	0	(49)	(49)
Cancellation of treasury shares	0	0	0	0	0	0	0
Balance at 31 December 2018	777	2,941	6,408	31	0	(51)	10,106

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

(2) IFRS9 new classification category (prior-year: available-for-sale financial assets).

(3) Opening balance figures are restated due to the application of IFRS9.

Notes to the IFRS Company Financial Statements I 2018 I

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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 13 February 2019. 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, except the equity instruments, securities and derivative instruments measured at fair value.

Regarding the application of new, revised or amended IFRS standards issued and applying from January 1, 2018 and issued but not yet applied please refer to Note 4 "Change in Accounting Policies and Disclosure" of the Group's Consolidated Financial Statements. The implementation of IFRS 15 has had no impact on the financial statement of the Company, and consequently, the comparative figures are not restated. The implementation of IFRS 9 has resulted in a decrease in the opening equity 2018 of € -3 million due to expected credit loss impairment on financial assets.

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

The following table shows the measurement categories of financial instruments:

<i>(In € million)</i>	Measurement categories according to IAS 39	Carrying amount according to IAS 39 at 31 December 2017	Measurement categories according to IFRS 9	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	1,193	Fair value through OCI Fair value through profit and loss	0 1,193
Other loans	Loans and receivables	3,234	Amortised cost	3,234
Trade receivables	Loans and receivables	31	Amortised cost	31
Other financial assets				
Derivative instruments	Fair value through profit and loss	5,640	Fair value through profit and loss	5,640
Current account Group companies	Loans and receivables	9,581	Amortised cost	9,581
Securities	Available-for-sale	12,388	Fair value through OCI	12,388
	Fair value through profit and loss	6,256	Fair value through profit and loss	6,256
			Fair value through OCI	900
Cash and cash equivalents	Available-for-sale	2,085	Fair value through profit and loss	1,185
	Loans and receivables	2,697	Amortised cost	2,697
Total		43,105		43,105
Liabilities				
Financing liabilities				
Bonds and commercial papers	Amortised cost	2,751	Amortised cost	2,751
Liabilities to financial institutions and others	Amortised cost	1,715	Amortised cost	1,715
Internal loans payable	Amortised cost	4,300	Amortised cost	4,300
Other financial liabilities				
Derivative instruments	Fair value through profit and loss	5,784	Fair value through profit and loss	5,784
Current accounts Group companies	Amortised cost	32,127	Amortised cost	32,127
Total		46,677		46,677

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.

The details regarding the use of estimates and judgements are described in Note 3 "Use of Estimates and Judgements" of the Consolidated 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 2018 and 2017:

<i>(In € million)</i>	Transactions with subsidiaries 2018	Transactions with associates 2018	Transactions with subsidiaries 2017	Transactions with associates 2017
Rendering of services, dividend income and interest income	501	61	772	28
Purchases of services, investment charge and interest expenses	(256)	(3)	(728)	(2)
Intercompany receivables due as of 31 December	9,791	95	12,729	87
Intercompany payables due as of 31 December	(33,056)	(965)	(35,422)	(1,005)
Hedge relationships receivable as of 31 December	3,793	0	5,640	0
Hedge relationships payable as of 31 December	3,921	0	5,784	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

<i>(In € million)</i>	2018	2017
Operating income	393	656
Corporate services rendered to Group companies	393	656
Operating expenses	(270)	(841)
Service fees charged by Group companies	(119)	(698)
Administrative expenses	(151)	(143)
Income from investments	46	614
Dividends received from Group companies	46	13
Impairment reversal	0	601
Expense from investments	(369)	0
Loss on disposal of investments	(369)	0
Total operating result	(200)	428

5. Total Financial Result

<i>(In € million)</i>	2018	2017
Interest result⁽¹⁾	40	52
Interest income from securities ⁽²⁾	111	92
Interest income	122	119
Interest expense	(195)	(159)
Other financial result	(33)	(1)
Option liability exchangeable bond	33	(19)
Change in fair value measurement of financial assets ⁽³⁾	(44)	0
Equity instruments	7	49
Interest rate hedging	4	(16)
Financing income (expense)	(7)	(8)
Foreign exchange translations	(26)	(6)
Total financial result	5	51

(1) In 2018, the total interest income amounts to € 233 million (in 2017: € 211 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 € -195 million (in 2017: € -159 million) are recognised as total interest expenses.

(2) IFRS9 new classification category (prior-year: interest income from available-for-sale financial securities).

(3) New IFR9 classification (prior-year: financial asset at fair-value).

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:

<i>(In € million)</i>	2018	2017
Current tax expense	0	0
Deferred tax income (expense)	(32)	3
Total	(32)	3

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

<i>(In € million)</i>	2018	2017
Profit before income taxes	(195)	479
* Corporate income tax rate	25%	25%
Expected expense for income taxes	42	(120)
Non-taxable income from investments	(80)	153
Option liability exchangeable bond	7	(5)
Income from other companies within the fiscal unity	(1)	(3)
Impairment	12	(12)
Other	(13)	(10)
Reported tax income (expense)	(32)	3

The first tranche of tax loss carry forwards (€ 22 million) will expire by the end of 2026.

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

<i>(In € million)</i>	1 January 2018		Other movements		Movement through income statement	31 December 2018	
	Deferred tax assets	Deferred tax liabilities	OCI	Others	Deferred tax benefit (expense)	Deferred tax assets	Deferred tax liabilities
Securities	0	(31)	22	0	0	0	(9)
Financial instruments	0	(9)	0	0	8	0	(1)
Net operating loss and tax loss carry forwards	62	0	0	0	(41)	21	0
Deferred tax assets (liabilities) before offsetting	62	(40)	22	0	(32)	21	(9)
Set-off	(40)	40	0	0	0	(9)	9
Net deferred tax assets (liabilities)	22	0	22	0	0	12	0

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

<i>(In € million)</i>	1 January 2017		Other movements		Movement through income statement	31 December 2017	
	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

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

<i>(In € million)</i>	2018	2017
Financial instrument at fair value through OCI ⁽¹⁾	(9)	(31)
Cash flow hedges	0	0
Total	(9)	(31)

(1) IFRS9 new classification category (prior-year: available-for-sale investments).

4.3 Operational Assets and Liabilities

7. Investments in Subsidiaries, Associates and Participations

<i>(In € million)</i>	Subsidiaries	Associates	Participations	Total
Balance at 1 January 2017	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 OCI	0	0	137	137
Other adjustments	33	0	(33)	0
Balance at 31 December 2017	15,362	21	1,193	16,576
Fair value changes through OCI	0	0	(368)	(368)
Fair value changes through Profit or Loss	0	0	368	368
Balance at 1 January 2018	15,362	21	1,193	16,576
Additions	200	0	22	222
Release Impairment	0	0	0	0
Share-based payments (IFRS 2)	43	0	0	43
Fair value changes through Profit or Loss	0	0	(44)	(44)
Balance at 31 December 2018	15,605	21	1,171	16,797

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.

In 2018, the participations are stated at fair value with changes in fair value recognised in Profit and Loss.

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

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

If any indication for impairment exists, the recoverable amount of the investments is estimated in order to determine the 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.

The annual impairment test performed in 2018 led to no impairment charge.

Change of Investments in Subsidiaries

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

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

On 26 September 2018, Airbus Defense and Space Holding BV has been merged into Airbus SE with retroactive effect on 1 January 2018. The impact of this merge in the financial statement of Airbus SE is a loss of € 369 million mainly due to the irrecoverability of IC loan and current accounts. Airbus SE is the new stakeholder of Airbus Defence and Space Netherland BV and Airbus Defence and Space Limited, and increase its stake in Airbus SAS and Airbus Defence and Space GmbH: impact of the merge in the Investments € -69 million.

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

During the year 2018, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of € 35 million (2017: € 20 million).

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 shows 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 Defence 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).

INFORMATION ON PRINCIPAL INVESTMENTS OF THE COMPANY

2018	2017	Company	Head office
%			
100.00	50.90	Aero Ré S.A.	Bertrange (Luxembourg)
74.29	50.10	Airbus Defence and Space GmbH	Taufkirchen (Germany)
100.00	0.00	Airbus Defence and Space Limited	Stevenage (UK)
100.00	0.00	Airbus Defence and Space Netherlands B.V.	Leiden (Netherlands)
100.00	100.00	Airbus Defence and Space S.A.	Madrid (Spain)
0.00	100.00	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)
100.00	100.00	Airbus Group Ltd.	London (UK)
100.00	100.00	Airbus Group Proj B.V.	Leiden (Netherlands)
99.00	99.00	Airbus Group Ventures Fund I, L.P.	Mountain View, CA (USA)
0.00	100.00	Airbus Helicopters Holding S.A.S.	Marignane (France)
95.78	90.26	Airbus S.A.S.	Toulouse (France)
100.00	100.00	DADC Luft-und Raumfahrt Beteiligungs GmbH	Taufkirchen (Germany)
9.89	9.93	Dassault Aviation S.A.	Paris (France)
100.00	0.00	OOO "EADS"	Moscow (Russia)
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 2018 and 2017 consist of the following:

<i>(In € million)</i>	2018	2017
Long-term financial assets	1,468	3,040
Long-term loans Group companies ⁽¹⁾	1,468	3,040
Long-term loans external	0	0
Non-current other financial assets	1,882	3,898
Positive fair values of derivative financial instruments	1,882	3,898
Current other financial assets	2,152	1,938
Positive fair values of derivative financial instruments	1,912	1,744
Current portion long-term loans Group companies	240	194
Current accounts Group companies⁽¹⁾	(22,162)	(22,546)
Receivables from subsidiaries	8,013	9,581
Liabilities to subsidiaries	(30,175)	(32,127)
Non-current financial liabilities	(2,015)	(4,055)
Negative fair values of derivative financial instruments	(2,015)	(4,055)
Current financial liabilities	(1,906)	(1,730)
Negative fair values of derivative financial instruments	(1,906)	(1,730)

(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 € 5,898 million (2017: € 7,227 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. The expected credit loss is considered to be non significant.

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 2018, Airbus SE made further capital contributions into Airbus Group Ventures Fund for a total amount of US\$ 42 million.

4.4 Employees

10. Number of Employees

The average number of the persons employed by the Company in 2018 was 2 (2017: 2). The employees are situated in the Netherlands.

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:

<i>(In number of shares)</i>	2018	2017
Issued as at 1 January	774,556,062	772,912,869
Issued for ESOP	1,811,819	1,643,193
Issued as at 31 December	776,367,881	774,556,062
Treasury shares as at 31 December	(636,924)	(129,525)
Outstanding as at 31 December	775,730,957	774,426,537
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 in compliance with the implemented stock option plans and by employees of € 1.811.819 (in 2017: € 1.643.193) 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.

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

On 11 April 2018, the Shareholders' General Meeting decided to distribute a gross amount of € 1.50 per share, which was paid on 18 April 2018. For the fiscal year 2018, the Group's Board of Directors proposed a cash distribution payment of € 1.65 per share.

Legal reserves includes:

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

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

Treasury shares represent the amount paid or payable for own shares held in treasury. During 2018, the number of treasury stock held by the Company increase to 636,924 compared to 129,525 as of 31 December 2017. No shares were sold back to the market nor cancelled in 2018 (in 2017: 0 shares).

Authorisations Granted by the Shareholders' General Meeting of Airbus SE Held on 11 April 2018

On 11 April 2018, the Annual General Meeting ("AGM") of the Company authorised the Board of Directors, for a period expiring at the AGM to be held in 2019, 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 0.3% 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 11 April 2018, the AGM authorised the Board of Directors for an 18 months period to repurchase up to 10% of the Company's issued share capital at a price per share not less than the nominal value and not more than the higher of the price of the last independent trade and the highest current independent bid on the trading venues of the regulated market of the country in which the purchase is carried out.

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

Reconciliation Consolidated to Company Equity and Net Income

The difference between the total shareholders' equity according to the Consolidated Financial Statements and Company's Financial Statements as at 31 December 2018 and 2017 is as follows:

<i>(In € million)</i>	2018	2017 ⁽¹⁾
Consolidated equity	9,724	13,348
OCI - Restatement of investments from Consolidated to Company Financial Statements	(103)	(2,283)
Retained Earnings - Restatement of investments from Consolidated to Company Financial Statements	(486)	(436)
Retained Earnings - Valuation investments at historical cost	2,071	1,487
Retained Earnings - Impairment of financial assets	(1,099)	(672)
Company's equity	10,106	11,444

(1) 2017 not restated of IFRS15 impacts

The difference between the net income according to the Consolidated Financial Statements and Company's Financial Statements for the year ended 31 December 2018 and 2017 is as follows:

<i>(In € million)</i>	2018	2017
Consolidated net income	3,054	2,873
Income from investments according to Consolidated Financial Statements	(3,007)	(3,014)
Income from investments according to Company Financial Statements	46	614
Loss on / Impairment of financial assets	(369)	0
Other valuation differences	49	10
Company's net income (Profit or loss for the period)	(227)	483

12. Cash, Securities and Financing Liabilities

12.1 Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

	31 December	
<i>(In € million)</i>	2018	2017
Bank accounts	326	2,697
Short-term securities (at fair value through profit or loss)	6,576	6,256
Short-term securities (at fair value through OCI) ⁽¹⁾	984	2,085
Total cash and cash equivalents	7,886	11,038

(1) IFRS9 new classification (prior-year: Short-term securities (available-for-sale))

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	
<i>(In € million)</i>	2018	2017
Current securities at fair value through OCI	2,073	1,576
Non-current securities at fair value through OCI	10,135	10,812
Non-current securities at fair value through profit or loss	338	0
Total securities	12,546	12,388

Included in the securities portfolio as of 31 December 2018 and 2017, respectively, are corporate and government bonds bearing either fixed rate coupons (€ 12,067 million nominal value; comparably in 2017: € 12,062 million) or floating rate coupons (€ 479 million nominal value; comparably in 2017: € 321 million) and foreign currency funds of hedge funds (€ 0 million nominal value; 2017: € 5 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 Finance B.V. (“AFBV”). It has also issued a convertible bond in euro and euro-denominated exchangeable bonds into Dassault Aviation shares and 2 stand-alone US dollar-denominated bonds on the US institutional market under Rule 144A. Furthermore, the Company had long-term US dollar-denominated loans outstanding with the European Investment Bank (“EIB”) and has long-term US dollar-denominated loans outstanding with the Development Bank of Japan (“DBJ”). The terms and repayment schedules of these bonds and loans are as follows:

		Principal amount (in million)	Carrying amount		Coupon or interest rate	Effective interest rate	Maturity	Additional features
			31 December 2018	2017				
Loans from Airbus Finance B.V.								
AGFBV (EMTN)	15 years	€ 500	€ 0	€ 500	3M Euribor +1.85%	at variable rate	Sept. 2018	
AGFBV (EMTN)	10 years	€ 1,000	€ 1,038	€ 1,031	2.40%	2.45%	Apr. 2024	Interest rate swapped into 3M Euribor +1.40%
AGFBV (EMTN)	15 years	€ 500	€ 523	€ 517	2.15%	2.24%	Oct. 2029	Interest rate swapped into 3M Euribor +0.84%
AGFBV (EMTN)	10 years	€ 600	€ 594	€ 584	0.91%	0.95%	May 2026	Interest rate swapped into 3M Euribor
AGFBV (EMTN)	15 years	€ 900	€ 866	€ 851	1.41%	1.49%	May 2031	Interest rate swapped into 3M Euribor
AGFBV US\$ Loan	10 years	US\$ 1,000	€ 848	€ 818	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	€ 87	€ 250	3M US-Libor +1.15%	4.84%	Jan. 2021	Interest rate swapped into 4.76% fixed
EIB	10 years	US\$ 721	€ 0	€ 343	3M US-Libor +0.85%	3.20%	Aug. 2021	Interest rate swapped into 3.2% fixed
EIB	7 years	US\$ 406	€ 0	€ 339	3M US-Libor +0.93%	at variable rate	Feb. 2020	
EIB	10 years	US\$ 627	€ 0	€ 516	2.52%	2.52%	Dec. 2024	Interest rate swapped into 3M Euribor +0.61%
EIB	10 years	US\$ 320	€ 0	€ 267	6M US-Libor +0.56%	at variable rate	Dec. 2025	
Share buyback commitment			€ 0	€ 0				
Others			€ 0	€ 0				

	Principal amount (in million)	Carrying amount		Coupon or interest rate	Effective interest rate	Maturity	Additional features
		31 December 2018	2017				
Bond							
Convertible bond 7 years	€ 500	€ 477	€ 470	0.00%	1.39%	July 2022	Convertible into Airbus SE shares at € 99.54 per share
Exchangeable bond 5 years	€ 1,078	€ 1,061	€ 1,054	0.00%	0.33%	June 2021	Exchangeable into Dassault Aviation SA shares at € 1,306.25 per share
US\$ Bond 10 years	US\$ 750	€ 632	€ 615	3.15%	3.16%	Apr 2027	Interest rate swapped into 3M Libor +0.87%
US\$ Bond 30 years	US\$ 750	€ 621	€ 611	3.95%	4.02%	Apr 2047	Interest rate swapped into 3M Libor +1.61%
Total		€ 6,746	€ 8,765				
Thereof non-current financing liabilities		€ 6,746	€ 8,106				
Thereof current financing liabilities		€ 0	€ 660				

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € 1,360 million to € 6,746 million (2017: € 8,106 million). The decrease in long-term financing liabilities is mainly related to the repayment by anticipation of the EIB loan for a total amount of US\$ 1.6 billion in May and June 2018 and the repayment by anticipation of US\$ 200 million of the DBJ loan in April and July 2018.

Short-term financing liabilities decreased by € 660 million to € 0 million (2017: € 660 million). The decrease in short-term financing liabilities is mainly related to the repayment of a Euro Medium Term Note ("EMTN") bond for € 500 million on September 2018 and the early repayment of the EIB loan for US\$ 192 million in May and June 2018.

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 2018, 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 2018.

In 2017, 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 maturing 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

Reconciliation of liabilities arising from financing liabilities:

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

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 31 December 2018 and 31 December 2017 is as follows:

<i>(In € million)</i>	Total VaR	Equity price VaR	Currency VaR	Interest rate VaR
31 December 2018				
Foreign exchange hedges	35	0	35	0
Financing liabilities, financial assets (incl. cash, cash equivalents, securities and related hedges)	52	34	35	24
Equity swaps	3	3	0	0
Diversification effect	(51)	(2)	(68)	0
All financial instruments	39	35	2	24
31 December 2017				
Foreign exchange 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

The increase in the total VaR by € 8 million to € 39 million (2017: € 31 million) is mainly attributable an increase in equity market volatility. The increase in Currency VaR for foreign exchange hedges and financing liabilities and assets are linked to high year-end \$US inflows and according offsetting derivative transactions at the end of the year so that the net currency VaR decreased by € 13 million to € 15 million (2017: € 2 million). 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 derivative instruments are offset by corresponding opposite market risks of intragroup transactions.

Liquidity Risk

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

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

<i>(In € million)</i>	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 2018								
Non-derivative financial liabilities	(6,746)	(7,766)	(48)	(48)	(1212)	(547)	(921)	(4,990)
Derivative financial liabilities	(3,921)	(4,768)	(2,085)	(1,160)	(856)	(427)	(160)	(80)
Total	(10,667)	(12,534)	(2,133)	(1,208)	(2068)	(974)	(1,081)	(5,070)
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)

Credit Risk

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

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

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

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

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

In 2018, the total receivables, neither past due nor impaired amount to € 250 million (in 2017: € 176 million). On 1 January 2018, the impact of the application of the expected credit loss on the securities is € -3 million. In 2018, the total impact is non significant.

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.

From January 2018, the Company classifies its financial assets in one of the following categories: (i) at fair value through OCI, (ii) at fair value through profit and loss and (iii) at amortised cost. Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows, as described in "– Note 4: Change in Accounting Policies and Disclosures".

Until 31 December 2017, the Company classified its financial assets in the following three categories: (i) at fair value through profit and loss, (ii) loans and receivables and (iii) available-for-sale financial assets. Classification was determined by management at initial recognition and depended on the purpose of acquisition.

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

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

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:

<i>(In € million)</i>	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	
	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

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 2018 and 2017, respectively:

<i>(In € million)</i>	31 December 2018			31 December 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets measured at fair value						
Equity instruments	1,171	0	1,171	1,193	0	1,193
Derivative instruments	0	3,794	3,794	0	5,641	5,641
Securities	12,546	0	12,546	12,388	0	12,388
Cash equivalents	6,577	984	7,561	7,441	900	8,341
Total	20,294	4,778	25,072	21,022	6,542	27,564
Financial liabilities measured at fair value						
Derivative instruments	0	3,921	3,921	0	5,785	5,785
Other liabilities	0	0	0	0	0	0
Total	0	3,921	3,921	0	5,785	5,785

Financial Assets Designated at Fair Value through Profit or Loss

The following types of financial assets held at 31 December 2018 and 2017, respectively, are designated at fair value through profit or loss:

<i>(In € million)</i>	Nominal amount at initial recognition at	Nominal amount at initial recognition at
	31 December 2018	31 December 2017
Designated at fair value through profit or loss at recognition:		
Money market funds (accumulating)	6,577	7,441
Securities	338	0
Foreign currency funds of hedge funds	0	0
Total	6,915	7,441

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

In addition, the Company invests in non-accumulating money market funds, which pay interest on a monthly basis. The fair value of those funds corresponds to their nominal amount at initial recognition date amounting to € 0 million (2017: € 1,185 million).

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 2018 and 31 December 2017, respectively:

<i>(In € million)</i>	Gross amounts recognised	Gross amounts recognised set off in the financial statements	Net amounts presented in the financial statements	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2018						
Financial assets	3,799	0	3,799	(879)	0	2,920
Financial liabilities	3,829	0	3,829	(879)	0	2,950
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

13.4 Notional Amounts of Derivative Financial Instruments

The notional amount of **interest rate contracts** are as follows, specified by year of expected maturity:

<i>(In € million)</i>	Remaining period								Total
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	> 7 years	
31 December 2018									
Interest rate contracts	0	0	0	0	1,048	1,000	600	1,200	3,848
Interest rate future contracts	215	0	0	0	0	0	0	0	215
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

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

<i>(In € million)</i>	Remaining period					Total
	1 year	2 years	3 years	4 years	> 4 years	
31 December 2018	49	37	27	9	0	122
31 December 2017	52	49	19	0	0	121

13.5 Derivative Financial Instruments and Hedge Accounting Disclosure

The following table presents the amounts relating to items designated as hedging instruments as of 31 December 2018 under IFRS 9:

<i>(In € million)</i>	Carrying values	
	Asset	Liability
Foreign currency risk:		
Net forward sales contracts	0	0
Foreign exchange options	0	0
Interest rate risk	66	95
Commodity swap risk	0	0
Equity swap risk	0	0
Total	66	95

The following table presents the amounts relating to items designated as hedging instruments were as follows as of 31 December 2017 under IAS 39:

<i>(In € million)</i>	Assets	Liabilities
Foreign currency contracts – cash flow hedges	0	0
Foreign currency contracts – not designated in a hedge relationship	5,504	5,513
Interest rate contracts – cash flow hedges	0	1
Interest rate contracts – fair value hedges	54	84
Interest rate contracts – not designated in a hedge relationship	30	29
Commodity contracts - not designated in a hedge relationship	16	16
Equity swaps – not designated in a hedge relationship	38	0
Option component of Exchangeable Bond	0	141
Total	5,641	5,784

13.6 Net Gains or Net Losses

The Company's net gains or net losses recognised in profit or loss in 2018 and 2017, respectively are as follows:

<i>(In € million)</i>	2018	2017
Financial assets or financial liabilities at fair value through profit or loss:		
Held for trading	(51)	200
Designated on initial recognition	(39)	(214)
Financial assets at amortised cost	35	0
Loans and receivables ⁽¹⁾	0	(226)
Financial assets at fair value through OCI ⁽²⁾	68	(205)
Financial assets at fair value through profit or Loss ³	(42)	0
Financial liabilities measured at amortised cost	(10)	448
Total	(39)	4

(1) Contain among others impairment losses.

(2) IFRS9 new classification (prior-year: Available-for-sale financial assets)

14. Audit Fees

Fees related to professional services rendered by the Company's accountant, Ernst & Young Accountants LLP, for the fiscal year 2018 were €680 thousand (in 2017: € 685 thousand). These fees relate to audit services only.

15. 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 Loss for the period of € 227 million as shown in the income statements for the financial year 2018 is to be added to retained earnings and that a payment of a gross amount of € 1.65 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

Independent auditor's report

To: the shareholders and Board of Directors of Airbus SE

Report on the audit of the Financial Statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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 2018, and of its result and its cash flows for 2018 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 2018
- The following statements for 2018: 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	€ 292 million (2017: € 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 (“the Audit Committee”) that misstatements in excess of €10 million that are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

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 91% of total consolidated assets. The remaining 12% of revenues, and 9% of total assets result from entities, none of which individually represents more than 1% of revenues. For those entities, we performed, amongst others, analytical procedures to corroborate our assessment that the financial statements are free from material misstatements.

We executed an audit plan that includes participation in risk assessment and planning discussions, setting the direction of the group audit work (including instructions to the divisional and entity auditors), reviewing and discussing the planned audit approach, obtaining an understanding of the financial reporting process and performing procedures on the group consolidation, participating in the evaluation of key accounting topics, reviewing the financial statements and participating in meetings with the management of the Company and its divisions. In our audit instructions, we also included targeted audit procedures that address the key programmes (A220, A350, A380, A400M) as well as 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 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 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 judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

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 characterized by competition for individual significant contracts with customers which are often directly or indirectly associated with governments. The process associated with these activities is susceptible to the risk of non-compliance with laws and	We evaluated and tested the 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
<p>regulations. In addition, the Company operates in a number of territories where the use of commercial intermediaries is normal practice. Certain entities of the group remain under investigation by various law enforcement agencies for amongst others alleged irregularities concerning third party consultants. Breaches of laws and regulations in these areas can lead to fines, penalties, criminal prosecution, commercial litigation and restrictions on future business.</p> <p>Litigation and claims involve amounts that are potentially significant and the estimate of the amount to be provided as a liability, if any, is inherently subjective. The outcome of these matters may have a material effect on the Company's result and its financial position.</p> <p>Reference is made to the disclosures 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.</p>	<p>We evaluated the tone set by management and the Board of Directors and the Company's approach to managing this risk.</p> <p>We discussed with the Board of Directors, the Audit Committee, the Ethics and Compliance Committee as well as the Company's internal and external 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 we assessed related non-privileged documentation. We have inquired the 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.</p> <p>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.</p> <p>We gained additional assurance by comparing management's position to the assessment from external parties such as external lawyers in those cases where a high amount of judgement is involved.</p> <p>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 the accounting standards.</p> <p>We determined that the disclosures in the financial statements reflect the current status of the investigation by the UK SFO, France's PNF and US DOJ as well as the review of business partner relationships in accordance with accounting standards.</p>

Revenue recognition, including the application of IFRS 15

The Company adopted the new standard on 1 January 2018, using the full retrospective transition method and electing the practical expedients for completed contracts and contract modifications.

The allocation of the transaction price to and the identification of performance obligations in contracts are judgemental and could have a material effect on the Company's result and its financial position. Furthermore, the amount of revenue and profit recognized in a year for over time contracts is dependent on the assessment of the stage of completion of performance obligations as well as estimated total revenues and estimated total cost.

The value of the backlog is disclosed in the notes.

Reference is made to the disclosures on Note 2 'Significant Accounting Policies', Note 3 'Key estimates and judgements', note 9 'Segment Information' and Note 10 'Revenues and gross margin' of the financial statements.

Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to IFRS 15 Revenue recognition, including the appropriate timing of revenue recognition method: over time or point in time. In addition we evaluated the design and implementation of internal controls for the sales process and tested individual sales transactions to assess proper identification of the performance obligations in the contracts, the completeness and valuation of the variable considerations constraints included in the transaction price and the reasonableness of the actual and estimated cost to complete included in the cost-to-cost method for contracts recognized over time.

Our procedures furthermore included cut-off testing for point in time contracts to assess whether revenue was recognized in the correct period.

The audit of the backlog end of 31 December 2018 included verifying the correct application of IFRS 15 and reconciling the backlog value presented in the disclosures with the underlying contract details and other supporting documentation.

We did not identify evidence of material misstatement in the revenue recognised in the year and we determined that the appropriate disclosures were made in the financial statements.

Estimations with respect to the contract margin for the accounting of onerous contracts and the assessment of the contract margin recognized for the significant over time contracts.

Significant estimates are made to assess the contract margin, based on estimated revenue and costs for the key programmes including progress of costs (POC) for over time contracts.

Provisions for onerous contracts such as for the A400M and A380 are recognized when it becomes probable that the present value of unavoidable costs of fulfilling the obligations under the contract exceeds the present value of economic benefits expected to be received under the contract. The determination of these contract margins and provisions for onerous contracts is based on available best estimates and requires management's significant judgement and assumptions associated with 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 2 'Significant Accounting Policies', Note 3 'Key estimates and judgements', Note 10 'Revenues 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 onerous contracts and assessment of the contract margin. We also performed substantive procedures on individually significant programmes, including discussions with the programme team including the Head of Programme. Furthermore we evaluated management's assumptions in the determination of amongst others the stage of completion of a project, estimates to complete for both revenue and costs and any provisions for onerous contracts. We focused on management's assessment of key contract risks and opportunities to determine whether these are appropriately reflected in the cost to complete forecasts, paid specific attention to technical and market developments, including export opportunities, delivery plan and certification schedules. We challenged management's assumptions by discussing and reviewing correspondence with customers, considered the accuracy and consistency of similar estimates made in previous years and corroborated the assumptions with the latest contractual information. For over-time contracts and performance obligations we performed detailed testing of cost incurred and audited the correct application of margin at completion.

Finally we determined that the appropriate disclosures were made in the financial statements.

Recoverability of assets related to significant programmes

Capitalized development costs, jigs and tools and inventories relate mainly to the key programmes, such as the A350, A400M, A380 and NH90.

Estimates of the future cash flows are necessary to determine if an impairment of assets has to be recognised. In addition to the risk of contract cancellations, significant costs or loss of revenue may be incurred in connection with remedial actions required to correct any performance issue detected. Owing to the inherent uncertainty involved in forecasting future costs and interpreting contractual and commercial positions in determining impairments 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 2 'Significant Accounting Policies', and notes 21 '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 performed substantive audit procedures including inquiry of the programme controller and Head of Programmes and corroboration with other audit evidence.

We evaluated management's assumptions in the determination of the forecasted revenue to be realised, cost to be incurred (including any contractual penalties) and the expected gross margin. Part of our evaluation was the 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.

In addition, with respect to the A380, we evaluated management's estimate regarding the reimbursement of the program specific RLI's.

Finally we determined that the appropriate disclosures were made in the financial statements.

Derivative financial instruments (including IFRS 9)

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's consolidated financial statements, both in the valuation of the financial instruments and in the presentation and disclosure in the financial statements.

The magnitude of the Company's hedge portfolio and potentially significant changes in the exchange rate of the US dollar versus the Euro could have a significant impact on the consolidated equity of the Company via the 'mark to market' valuation of the hedge portfolio.

Reference is made to Note 35 'Information about financial instruments' of the financial statements.

For the audit of the financial instruments we used specialists who tested the controls around the Company's central treasury system, independently calculated the valuation of the treasury portfolio and tested the application of the hedge accounting rules and the resulting accounting treatment. In this process we also assessed the delivery profile used as a basis to the hedge accounting effectiveness test.

We obtained counterparty confirmation of the outstanding financial instruments to verify the existence and ownership.

Based on a sample of derivative financial instruments we assessed that the valuation of the financial instruments is within a pre-defined tolerable variance threshold and no material exceptions were noted.

The results of our procedures relating to management's accounting for derivative financial instruments (including IFRS 9) in the 2018 financial statements were satisfactory and we determined that the appropriate disclosures were made in the financial statements.

The acquisition of CSALP (judgements related to the PPA)

On 1 July 2018, the Company has taken control of the C-Series programme of Bombardier by acquiring 50.01% percent Class-A ownership units in the C Series Aircraft Limited Partnership (CSALP) entity. The entity is consolidated as of 1 July 2018

Purchase price allocation ("PPA") has been performed by the Company and resulted into €3,8 billion goodwill.

Given the significant judgement on key assumptions, such as future cash flows, expected synergies and discount rates, the PPA related to the CSALP transaction is considered to be a key audit matter.

With respect to the accounting for the CSALP investment, we have, amongst others, read the purchase agreement, examined the accounting considerations, assessed the valuation of the put option on minority interests, the identification and valuation of the assets and liabilities, including any fair value adjustments, assessed and challenged significant valuation assumptions, such as the discount rates and expected synergies. We have included valuation specialists in our team to assist with the audit of the purchase price allocation.

We also obtained an audit report for CSALP from its EY auditor for the opening balance at the acquisition date and the results for the six months ended 31 December 2018. We provided detailed instructions to this auditor, covering the significant audit areas, including the relevant risks of material misstatements, and the information required to be reported by

Reference is made to Note 6.1 'Acquisitions' of the financial statements.

the auditor. In addition, we performed site visits to meet local management and the auditor, telephone conferences were held with the auditor and a file review was performed. During the site visits, telephone conferences and the file review, we challenged and reviewed the approach and the audit findings and observations reported to us.

We noted the assumptions relating to the PPA of CSALP fell within acceptable ranges and we determined that the appropriate disclosures were made in the financial statements.

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 substantially less than the scope of those performed in our audit of the financial statements.

The Board is responsible for the preparation of the other information, including the Report of the Board of Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the Annual General Meeting of Shareholders as auditor of Airbus SE on 28 April 2016, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the Board of Directors and Audit Committee for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included amongst others:

- 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 regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the Audit Committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 13 February 2019

Ernst & Young Accountants LLP

A.A. van Eimeren