Airbus Operations Limited

Annual report and financial statements

Registered number 3468788

31 December 2022

Contents

Strategic Report

In accordance with applicable law and regulations, the directors of Airbus Operations Limited ("the Company") present the results of the financial year ended 31 December 2022. In the context of the strategic report "Airbus" refers to the division of Airbus SE and the "Company" refers to Airbus Operations Limited.

Business Model

The Airbus group operates in three reportable segments (the "Divisions") which reflect the internal organisation and management structure according to the nature of the products and services provided: Airbus (formerly Airbus and Headquarters), Airbus Helicopters and Airbus Defence and Space.

Airbus Operations Limited is a subsidiary of Airbus Operations S.A.S., a company incorporated under French law, which in turn is owned by Airbus S.A.S., which is part of the Airbus division.

An Executive Committee, chaired by the Chief Executive Officer, with the heads of the Divisions and key functions, is responsible for the management of all Airbus activities, including the sales activities and the product policies. The chairman of the Board of Directors of Airbus Operations Limited reports to the Airbus CEO.

Section 172 Statement

In line with the Companies Act requirement, the Directors set out below their key considerations and steps taken with regard to the 'enlightened shareholder value' requirements of s172 in performing their duties.

The Board continuously reviews which relationships support the generation and preservation of value in the Company. The Directors have identified the following parties who have an interest in, or are impacted by, the decisions taken by the Company: customers, suppliers, employees, former employees (pension scheme members), the Trade Unions, shareholders, tax authorities, regulators, Her Majesty's Government, Welsh Assembly Government and local communities. All strategic decisions take into account these stakeholders' interested and the Directors consider that they have acted in a way that is most likely to promote the success of the Company for the benefit of its members as a whole. In particular, the Directors have considered the following matters:

- Long term factors affecting the Company – as explained in the 'Risks and Uncertainties' and 'Forecast Information' sections below, the group aligns its development and production strategy with the order book and forecast global demand alongside other factors such as suppliers' ability to ramp up and ramp down supply, global economic conditions and sustainability targets.
- Interests of the Company's employees and former employees (pension scheme members) – refer to 'Employee Engagement' in the 'Responsibility and Sustainability' section below.
- Business relationships with suppliers - supplier relationships are crucial to the success of the Company and are constantly monitored (refer to 'Dependence on key suppliers and subcontractors' in 'Risks and Uncertainties' section below).
- Business relationships with customers – as explained in note 1.13, the Company's main customers are intercompany. The performance of the Company's sites and plants is continually assessed and benchmarked against other group companies. Examples of best practice are shared between transnational sites and embedded wherever possible.
- Business relationships with others – the Company has a number of other stakeholders with which it has business relationships, notably HMRC, the Department for Business and Trade, the Department for Science, Innovation and Technology, and other Government bodies. The Company is an important contributor to the UK economy through job creation, tax payments and Research and Development. The Company always aims to be transparent, provide information in a timely manner and operate in a collaborative manner.
- Impact of the Company's operations on the community and the environment – refer to the 'Responsibility and Sustainability' section below.
- Reputation for high standards of business conduct – refer to 'Enterprise Risk Management' in 'Risks and Uncertainties' section below.
- Acting fairly between members of the Company – the Airbus Values, which underpin the day-to-day working environment in which the Company operates, include 'Respect', 'Integrity' and 'We Are One / Teamwork'. There is an expectation that all employees, at all levels in the group, 'live' these Values.

Strategic report *(continued)*

Corporate Governance

The Airbus group applies the principles of the Dutch Corporate Governance Code and will report any exceptions in the annually-produced, publicly-available Airbus SE Registration Document (latest version available at https://www.airbus.com/en/investors/financial-results-annual-reports). The Board of Directors of the Company follows these principles through the adoption of group-wide policies and procedures.

In addition, the Directors set out below their considerations in relation to the six key principles of the Wates Corporate Governance Principles for Large Private Companies:

- Purpose and leadership – the Executive Committee of Airbus SE determines the strategy and business model of the group with a view to generating long term, sustainable value. The policies, values and culture are implemented group-wide and part of the role of the Board of Directors of each company in the group is to ensure compliance with these standards.
- Board composition – Airbus Operations Limited has a balanced Board, with an appropriate combination of skills, backgrounds, experience and knowledge. The Board comprises representatives from Legal, Finance, Manufacturing and HR.
- Director responsibilities – in addition to sponsoring the application of, and adherence to, Group policies, procedures and ways of working, the Board has specific responsibility for:
    - reviewing and approving the statutory accounts;
    - ensuring compliance with UK-specific legislation (including Health & Safety requirements); and
    - assessing environmental data and KPIs, which are areas of increased focus.

  Conflicts of interests are documented and managed in line with the group Ethics and Compliance procedures (see 'Responsibility and Sustainability' section below and Airbus SE Registration Document).
- Opportunity and risk – as outlined in the 'Risks and Uncertainties' section below, the Group has established a robust internal control framework and actively considers risks and opportunities that might impact in the long or short term.
- Remuneration – remuneration for Directors and senior managers is aligned with performance, behaviours, and the achievement of company purpose, values and strategy. In particular, variable pay arrangements are linked to company and personal performance, while Long Term Investment Plans encourage greater accountability by linking this element of remuneration to the Airbus SE share price. Remuneration is set by the Group, not by the Board.
- Stakeholder relationships and engagement – as explained in the Section 172 Statement above, the Board actively considers the interests of all stakeholders when determining the strategic direction of the Company.

Programme overview

In the context of the strategic report "Airbus" refers to the division of Airbus SE and the "Company" refers to Airbus Operations Limited. The performance of the Company should be taken in context with the performance of the Airbus division as a whole.

Deliveries

In 2022, Airbus delivered 661 commercial aircraft compared to 611 deliveries in 2021, of which:
- 548 aircraft delivered by Airbus SAS (compared to 497 in 2021);
- 60 Single Aisle aircraft delivered by Airbus Americas (compared to 64 in 2021);
- 53 A220 delivered by Airbus Canada Limited Partnership ("ACLP") (compared to 50 in 2021).

Backlog

Airbus's backlog increased by € 45.3 billion to € 390.4 billion as at 31 December 2022. The book to bill ratio in units was significantly above 1 (calculated using units of new net orders, i.e. new net orders in units divided by deliveries in units). Total order backlog at Airbus amounted 7,239 aircraft at the end of 2022 (as compared 7,082 aircraft at the end of 2021).

Strategic report *(continued)*

Programme overview (continued)

Backlog (continued)

Order intake consisted of 820 net orders in 2022 (as compared to 507 in 2021), comprising 770 net firm orders of the A320 Family, 105 A220s produced by ACLP and 10 A350s, partly offset by higher cancellations than orders on the A330s.

Production

Each task in the building of Airbus aircraft (from design to production) is allocated to a designated plant. The Airbus plants are typically organised around different aircraft components and sections, in component delivery teams. Each component delivery team is either in charge of one aircraft programme, or organised by manufacturing technology clusters depending on the optimum solution for each plant. Every plant is organised with production, engineering, quality, supply chain, manufacturing, engineering and logistics capabilities to ensure a seamless production flow of operations.

Following production by the respective plants, the various aircraft sections are transferred between the network of sites and the final assembly lines using dedicated transport means, such as the "Beluga" Super Transporters. To support production, a new super transporter, Beluga XL, has been developed with four aircraft in service as of 31 December 2022.

Programme management is then responsible for the final assembly line activities. The programme management works closely with the plants to secure delivery of aircraft sections to the final assembly lines on time, cost and quality.

In 2022, Airbus served 84 customers with 661 deliveries, an increase of 8 percent compared to 2021. The delivery result was less than targeted, due to the complexity of the challenging operating environment including a complex supply chain situation and geopolitical challenges. Airbus continues to ramp-up to deliver its backlog.

As part of that ramp up, Airbus is now enabling a bigger share of A321 delivery capabilitics with all of its assembly sites now being A321 capable.

2022 delivery performance and rate evolution:

- A220 family: 53 A220 delivered. We continue to ramp-up and are still on track for a monthly production rate of 14 aircraft that we envisage by the middle of the decade.
- A320 family: 516 deliveries achieved. Airbus is progressing towards a monthly production rate of 65 aircraft by the end of 2024 and 75 in 2026.
- A330: 32 deliveries achieved. The A330 monthly production rate increased to around three aircraft as planned and Airbus now targets to reach monthly production rate four in 2024.
- A350: 60 deliveries achieved. Following a feasibility study with the supply chain, Airbus is now targeting a monthly production rate of 9 A350s at the end of 2025.

A220 Family

Complementing the A320 Family, the A220-100 and A220-300 models cover the segment between 100 and 150 seats and offer a highly comfortable five-abreast cabin. With the most advanced aerodynamics, carbon fibre reinforced polymer (CFRP) materials, high-bypass Pratt & Whitney PW1500G engines and fly-by-wire controls, the A220 delivers 25 percent lower fuel burn per seat compared with previous generation aircraft. In addition to the airliner versions, 2020 saw the launch of the ACJ Two Twenty business jet, based on the A220-100, combining an intercontinental capability of over 12 hours flight duration with unmatched personal space and comfort. Airbus manufactures, markets and supports A220 aircraft under the Airbus Canada Limited Partnership agreement finalised in 2018. In 2020, Airbus delivered the first US-assembled A220-300 aircraft from Mobile, Alabama.

A220 is produced by ACLP but Airbus SAS supports commercial and marketing development of the programme. Primary competitors to the A220 Family are the Embraer EMB190-E2 and EMB195-E2 and the Boeing 737 Max 7.

During 2022, Airbus received 127 gross orders for the A220 Family of aircraft and 105 net orders, with 53 aircraft having been delivered.

Strategic report *(continued)*

Programme overview (continued)

A320 Family

With more than 16,700 aircraft sold, and over 10,600 delivered by the end of 2022, the A320 family of single-aisle aircraft includes the A319 and A321 derivatives, as well as the ACJ corporate jet. Each aircraft in the A320 Family shares the same systems, cockpit, operating procedures and cross-section.

At 3.95 metres diameter, the A320 Family has the widest fuselage cross-section of any competing single-aisle aircraft. This provides a roomy six-abreast passenger cabin, a high comfort level and a spacious under floor cargo volume. The A320 Family incorporates digital fly-by-wire controls, an ergonomic cockpit and a modern structural material selection. The A320 Family's primary competitors are the Boeing 737 series and Comac C919.

Airbus continues to invest in improvements across the product line, as exemplified by the development of the A320neo family, including the A319neo, A320neo, A321neo and ACJ variants of the A319neo and A320neo. The A320neo Family incorporates many innovations including latest generation engines and cabin improvements which together deliver up to 20% in fuel savings compared with earlier A320 family aircraft. The A320neo with Pratt & Whitney engines was the first variant to receive Type Certification, from EASA and FAA, in November 2015, followed by the A320neo with CFM engines in May 2016. The A321neo with Pratt & Whitney engines received Joint Type Certification in December 2016 and with CFM engines in March 2017. Type Certification for the A319neo with CFM engines was achieved in December 2018 with the Pratt & Whitney engine variant the following year.

The A320neo Family versions have over 95% airframe commonality with the A320ceo (current engine option) versions, enabling them to fit seamlessly into existing A320 Family fleets – a key factor for Airbus customers and operators.

All orders for the A318ceo have been met and a full transition to the Neo variants of the other models is nearing completion. Continuing support for the large in-service A320ceo fleet is undiminished as new opportunities arise, including those in developing passenger-to-freighter conversion market.

Recognising a market requirement for increasing range capability, the A321neo has been developed to incorporate additional flexibility in cabin configuration with optional design weight and fuel capacity enhancements to produce the 7,280km (4,000nm) range capable A321LR. In 2019, Airbus launched the A321XLR, combining single-aisle efficiency with widebody range and comfort, and resulting in an unmatched product offering for all operator types in the key mid-range market area.

Since its launch in December 2010, the A320neo Family has received 8,665 firm orders from more than 100 customers, with a total of 2,592 aircraft delivered to the end of 2022. A320neo deliveries commenced in February 2016 followed by the first A321neo in April 2017 and in August 2019 the first A319neo. Overall, the A320neo family retains an approximate 60% share of the backlog against the Boeing 737 MAX Family.

During 2022, Airbus received 888 gross orders for the A320 Family of aircraft and 770 net orders, with 516 aircraft having been delivered.

On the A320 Family programme, the ramp-up trajectory has been adapted with suppliers. Airbus is now progressing towards a monthly production rate of 65 aircraft by the end of 2024 and 75 in 2026. Entry-into-service for the A321XLR is expected to take place in Q2 2024.

A330 Family

With 1,774 aircraft sold (of which 288 A330neo) and 1,559 delivered, the A330 Family covers all market segments with one twin-engine aircraft type and is designed to typically carry between 250 and 300 passengers in three-class configurations or over 400 passengers in high-density. The A330 Family offers high levels of passenger comfort as well as large under-floor cargo areas. The A330-200 version is also offered as a military platform (MRTT) and as a cargo variant. A passenger-to-freighter conversion is offered by the ST Engineering / EFW partnership for both the A330-200 and A330-300, meeting the logistical needs of the rapidly growing e-commerce market.

Strategic report *(continued)*

Programme overview (continued)

A330 Family (continued)

The competitors of the A330 Family are the Boeing 767, 777 and 787 aircraft series.

The latest evolution to the A330 Family is the A330neo (new engine option), comprising the A330-800 and A330-900 versions. These aircraft incorporate latest generation Rolls-Royce Trent 7000 engines and enhanced aerodynamics for improved fuel efficiency. The first flight of the A330-900 took place in October 2017 and both Type Certification and first delivery were achieved in 2018, with TAP Air Portugal taking delivery of its first three A330-900s. Certification and first delivery of the A330-800, to Kuwait Airways, took place during 2020.

In October 2020 Airbus certified an improved MTOW (Maximum Take-Off Weight) of 251t on the A330-900 bringing a range increase of 1180 km (650 nm). 251t MTOW was also certified for the A330-800 in mid-2022.

The A330 monthly production rate increased to around three at the end of 2022 as planned and Airbus now targets to reach rate four in 2024.

During 2022, Airbus delivered 32 A330.

A350 Family

The A350 is a family of wide-body aircraft, designed to typically accommodate between 300 and 410 passengers. The A350 offers enhanced cabin features, Rolls-Royce Trent XWB engines, advanced aerodynamics and systems technology, with more than 50% composite materials in the fuselage structure. The A350's main competitors are the Boeing 787 and 777 aircraft series. Initial delivery of the A350-900 variant took place in December 2014 to Qatar Airways.

With the Ultra-Long Range (ULR) version of the A350-900 launched in 2015, the A350 demonstrates its versatility by offering the capability to perform flights of up to 19 hours. The first A350-900 ULR was delivered in September 2018 to Singapore Airlines. Highlighting the type flexibility, Airbus delivered the first A350-900 Domestic to Japan Airlines during 2019.

Partnering the A350-900 is the seven metre longer A350-1000, which was delivered to its first customer, also Qatar Airways, in February 2018. Offering additional capacity for both passengers and cargo without compromising on range, the A350-1000 is the ideal replacement for previous generation aircraft in the 350-400 seat capacity market.

In 2021, Airbus launched the A350F freighter offering three tonnes more payload and more range than a competing 777F. With unbeatable efficiency in terms of fuel burn, CO_2 emissions and economics, the A350F is the only freighter capable of meeting the latest International Civil Aviation Organisation requirements.

At the end of 2022, the total orders for the A350 Family stood at 925 aircraft, including 35 for the A350F. With 521 aircraft having been delivered, including 60 during 2022, the backlog stood at 404 aircraft.

The A350 monthly rate is now around six aircraft. In order to meet growing demand for widebody aircraft as international air travel recovers, and following a feasibility study with the supply chain, Airbus is now targeting a monthly production rate of nine A350s at the end of 2025.

A380 Family

The double-deck A380 is the world's largest commercial aircraft flying today. Its cross-section provides flexible and innovative cabin space, tailored to the needs of each airline. The aircraft is capable of carrying over 500 passengers in a comfortable four-class configuration over a range of 8,000 nm / 14,800 km.

The final five deliveries of the A380 took place during 2021 but the aircraft is likely to remain in service with its customer airlines well into the next decade.

Strategic report *(continued)*

Programme overview (continued)

A400M (military aircraft)

The A400M is the most capable new generation airlifter on the market today, aiming to meet the needs of armed forces worldwide and potential operators for military, humanitarian and peacekeeping missions in the 21st century. The A400M can perform the job of three different types of military transport and tanker aircraft by providing different capabilities: tactical (short to medium range airlifter capability with short, soft and austere field operating performance), strategic transport (longer range missions for outsized loads) and tactical tanker.

A total of 178 aircraft have been ordered so far. This includes the seven launch customer nations Belgium, France, Germany, Luxembourg, Spain, Turkey, the UK, as well as three export customers: Malaysia, Kazakhstan (two aircraft ordered in 2021) and Indonesia (two aircraft ordered in 2021, with contract enforcement in 2022). Additionally, Indonesia has signed a letter of intent in 2021 with an option for four additional units.

Type Certificate and Initial Operating Clearance were achieved in 2013. Since then, 115 units have been delivered to eight nations as of 31 December 2022. The A400M has already been deployed in operations since 2014, accumulating more than 140,000 flight hours in service. In 2019, a contract amendment was signed with launch customers on the Global Re-baselining of the A400M programme, under which all parties have agreed to update the production plan and revise the capability roadmap. NSOC 2.0 Type Acceptance by customers was achieved in 2020, followed by NSOC 2.5 Type acceptance in 2021. The programme is now delivering in line with the revised schedule, and moving forward towards SOC3 (final development standard).

The aircraft is designed to disrupt the difference between strategic and tactical transport by offering both capabilities in one. This saves both time and costs as customers can fly a long range strategic aircraft into a tactical zone of operation.

Airbus has continued with development activities towards achieving the revised capability roadmap. Retrofit activities are progressing in close alignment with the customer. In 2022, an update of the contract estimate at completion was performed and an additional charge has been recorded at Airbus SE level. This mainly reflects updated assumptions, including inflation and risks related to the remaining SOC3 contractual development milestones to be achieved.

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

Significant events in 2022

The following matters predominantly affect the Airbus division and will impact the Company via the share of the total 'Common activities' result from Airbus SAS (see note 1.14 for further details). Matters which are specific to the Company are identified as such.

Compliance investigation

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

Strategic report *(continued)*

Significant events in 2022 (continued)

Compliance investigation (continued)

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

The Company had an impact of £495m in the 2020 statutory accounts. This amount was invoiced by Airbus SAS using the Industrial Key 2020 (see note 1.13 for explanation of the Industrial Key).

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

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

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

The agreements result in the suspension of prosecution for a duration of three years. This deferral period ended on 31 January 2023. Airbus awaits the formal determination by the authorities that it has complied with the agreements' terms throughout the period whereupon it expects the closure of the prosecutions in line with the procedural requirements of each country.

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

As a result of the group's decision to redirect export control compliance resources to ensure compliance with export control restrictions and international sanctions announced against Russia, Belarus and certain Russian entities and individuals following Russia's invasion of Ukraine on 24 February 2022, the group asked the DoS to extend the Consent Agreement by nine months. The DoS has granted the extension. Airbus does not expect the Consent Agreement extension to have an impact on the DPAs with the SFO and DoJ, nor on the CJIP with the PNF, nor on the AFA's monitorship, as those are independent of the DoS's civil compliance programme review.

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

In addition to any pending investigation in other jurisdictions, the factual disclosures made in the course of reaching the agreements may result in the commencement of additional investigations in other jurisdictions. Such investigations could also result in (i) civil claims or claims by shareholders against the group, (ii) adverse consequences on the group'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 group's business or reputation via negative publicity adversely affecting the group's prospects in the commercial market place.

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

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

Strategic report *(continued)*

***Significant events in 2022** (continued)*

Compliance investigation (continued)

Airbus cooperated fully with the authorities in relation to three investigations initiated by independent magistrates in France concerning the activities of commercial intermediaries in Libya, Kazakhstan, Kuwait and several Eastern European countries. In recognition of the fulsome nature of the cooperation and upon payment of a penalty of €15.8m, all three investigations were closed by means of a Convention judiciaire d'intérêt public ("CJIP") with the PNF on 30 November 2022. This ends all remaining prosecutions in France for similar historical activities. The Company had an impact of £1m in the 2022 statutory accounts in relation to its share of the penalty.

Air France Flight 447 trial

On 1 June 2009, an A330 operated by Air France flight AF447 from Rio de Janeiro to Paris disappeared over the Atlantic Ocean with 228 persons onboard. The wreckage was located in April 2011 after several search campaigns organised by the Bureau d'Enquêtes et d'Analyses ("BEA"), which published its final investigation report in July 2012. In the wake of the accident, the prosecutor in Paris opened an investigation for involuntary manslaughter and Airbus SAS was charged in March 2011. In September 2019, the investigating magistrates closed the investigation and dismissed all criminal charges after a thorough analysis of the technical and legal elements of the case. However, the Paris Court of Appeal overturned the magistrates' decision and ordered trial for involuntary manslaughter. The group's appeal to the French Supreme Court has been dismissed.

The trial took place in the fourth quarter of 2022. The prosecutor recommended a dismissal of all criminal charges against Air France and Airbus. On 17 April 2023 the Paris Criminal Court delivered its judgement and dismissed criminal charges against Airbus. The Court has postponed its ruling on civil claims and scheduled a new hearing on the 4 September 2023. The parties have the right to appeal the decision.

Qatar Airways commercial litigation

Citing surface degradation on some of its A350 fleet and alleging an underlying "design defect", Qatar Airways filed a legal claim against the group in the London Commercial Court on 17 December 2021. On 1 February 2023, the parties announced they had reached an amicable and mutually agreeable settlement in relation to their legal dispute over A350 surface degradation and the grounding of A350 aircraft. The parties have proceeded to discontinue their legal claims. The settlement agreement is not an admission of liability for either party. The parties have also agreed terms for the delivery of 50 A321 and 23 A350 aircraft.

Ukraine crisis

Russia's invasion of Ukraine on 24 February 2022 and the resulting export control restrictions and international sanctions against Russia, Belarus and certain Russian entities and individuals have resulted in disruption to the group's business, its operations, data management and supply chain.

Following the imposition of export control restrictions and sanctions by the EU, the UK, the US and other countries that are relevant to Airbus's business, the group announced in March 2022 it has suspended the delivery of aircraft and support services to Russian customers, as well as the supply of spare parts, equipment and software to Russia. Airbus is complying with all applicable regulations and sanctions to its facilities and operations in Russia.

The crisis has increased the group's exposure to supply chain disruption risk. Part of the titanium used by the group is sourced from Russia, both directly and indirectly through the group's suppliers. While geopolitical risks are integrated into the group's titanium sourcing policies, the impact of Russia's invasion of Ukraine on the group's ability to source materials and components and any future expansion of sanctions is continuously being reviewed.

Due to the above mentioned export control restrictions and sanctions, Airbus has been unable to deliver two aircraft previously recorded as sold at 31 December 2021. As a result, the associated revenues and margin were derecognised as of 31 March 2022. These aircraft were remarketed in the second quarter 2022.

The Company's revenues in 2022 were not materially affected by the Ukraine crisis.

Strategic report *(continued)*

Financial performance

Key performance indicators of Airbus Operations Limited are shown below:

	2022 (£m)	2021 (£m)
Turnover	4,116	3,256
Research and development costs	244	202
Profit for the financial year	439	373
Net assets	1,839	802

As a consequence of the revenue recognition mechanism (refer to note 1.13), the performance of the Company should be taken in context with the performance of the Airbus division as a whole. There is a positive earnings allocation for the Common Business (activity relating to Airbus). Allocation based on the Industrial Key (mechanism by which costs are collated, analysed and results are shared) resulted in the Company having a proportionate profit of £574m (2021: £407m) of the allocable total results of the Airbus Common Business, which is reported in turnover and reflected in an increase in intercompany debtors.

The increase in the Common Business earnings allocation between 2021 and 2022 is mainly driven by higher deliveries, a more profitable sales mix and favourable FX movements.

The proportionate result of the UTE (being the allocations of the results of the A400M programme) established for the A400M series business for the Company (refer to note 1.13), which is similarly reported in turnover, has deteriorated compared to the prior year and amounts to £-80m (2021: £-78m). The increase in the UTE loss share is mainly driven by an increase in liquidated damages offset by an increase in the number of aircrafts delivered (10 in 2022 vs. 8 in 2021).

Staff costs have increased from £448m in 2021 to £538 in 2022. This is attributable to an increase in staff numbers, pay rise and a one off payment in 2022 (£13m) to help employees with the cost of living crisis.

An impairment reversal of £49m was booked in 2022. The original impairment was booked in 2018 following the decision to cease production of the A380 and the consequent impact on facilities utilisation. During 2022, alternative uses were identified for certain impaired buildings and the impairment reversal was booked as a result.

Income from shares in group undertakings represents a £10m (*2021: £nil*) dividend received from the Company's 100% owned subsidiary, Airbus Real Estate UK Limited.

Interest payable and similar expenses has increased from £22m in 2021 to £62m in 2022. This is primarily due to the foreign exchange impact increasing from £7m in 2021 to £44m in 2022, driven by the weakening of Sterling against the US Dollar for much of 2022. Other factors are the interest on funding accounts with Airbus SE increasing from £4m in 2021 to £17m in 2022 as a result of higher interest rates and a higher funding account balance, partially offset by the fair value movement on financial liabilities being a loss of £11m in 2021 compared to a gain of £3m in 2022.

There is a tax charge of £128m for 2022 (2021: credit of £25m) against a profit before tax of £567m (2021: £348m). The prior year tax credit included a credit of £86m relating to the impact of tax rate change on deferred tax balances.

On the balance sheet, tangible fixed assets increased from £874m in 2021 to £911m in 2022. This is mainly due to the £49m impairment reversal referred to above.

Debtors have decreased from £1,553m in 2021 to £1,542m in 2022. This is primarily due to the reduction of £298m in the deferred tax balance, offset by the increase of £167m in the earnings allocation for the Common Business and the increase of £107m in the December invoice for Common Business costs.

Employee benefits have changed from a liability of £598m in 2021 to an asset of £342m in 2022. This is mainly due to the impact of a higher discount rate in 2022 which results in lower defined benefit obligation, partially offset by a reduction in plan asset values.

Strategic report *(continued)*

Key Performance Indicators

Key performance indicators against which Airbus Operations Limited measures the success of its strategy are turnover per full time equivalent employee £579,963 *(2021: £466,542),* research and development expenditure (net of research and development expenditure tax credit) per full time equivalent employee £32,267 *(2021: £26,364)* and capital expenditure per full time equivalent employee £11,272 *(2021: £6,878).*

Research and development (R&D)

The R&D programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by our customers.

Total R&D costs incurred in the Profit and Loss Account amounted to £244m (*2021: £202m*). A further £39m of costs were capitalised in 2022 (*2021:* nil) in relation to A320 XLR. Costs incurred by programme in 2022 are as follows:

	2022 (£m)	2021 (£m)
A380 Family	-	5
A350 Family	104	41
A330 Family (including Beluga)	15	18
A320 Family	41	65
A400M	11	13
R&T / other (non-programme specific)	73	60
Total	**244**	**202**

Included within A350 Family R&D in 2022 is one off payment of £47m to settle development costs incurred by a supplier.

Risks and uncertainties

The following matters predominantly affect the Airbus division and will impact the Company via the share of the total 'Common activities' result from Airbus SAS (see note 1.13 for further details). Matters which are specific to the Company are identified as such.

Enterprise Risk Management

The Company does not have its own individual risk management and internal control system, but is embedded in the group-wide Enterprise Risk Management System ("ERM") designed and determined by Airbus.

ERM is a crucial mechanism for both mitigating the risks faced by the company and identifying future opportunities.

The aim of the ERM system is to provide management with an enhanced instrument for the effective approach to uncertainties and the risks accompanying the business of the Airbus.

ERM is used throughout Airbus, the subsidiaries and significant component suppliers with a largely uniform understanding, methods and practice. In the main, guidelines, reports, training sessions, internal controls and IT systems are available to this end. ERM comprises a hierarchical bottom-up and top-down reporting procedure, with which the risks and opportunities of the group can be presented more transparently.

The Airbus ERM system is augmented by:

- Communication and training sessions, and E-learning modules (Ethics & Compliance)
- ERM specialists support the individual areas of the group with reports and training offers
- Guidelines (e.g. the Accounting Manual)
- Early warning system (OpenLine alert system), which is accessible to all employees on a confidential basis.

Strategic report *(continued)*

***Risks and uncertainties** (continued)*

Enterprise Risk Management (continued)

Within the framework of the financial accounting system, the bookkeeping is organized in accordance with the segregation of duties in separate departments based on the sub-ledgers (accounts payable/receivable, cost accounting, fixed assets, etc.). The respective working results for the financial statements are passed on to the Financial Accounting department, which, based on this, accumulates the relevant information for the Company's accounting and prepares it in turn for the Consolidation Department for the consolidated financial statements. Employees are allocated to the accounting tasks via job descriptions.

Airbus and the Company are subject to many risks and uncertainties that may affect their financial performance. Their business, results of operations or financial position could be materially adversely affected by the risks described below. These are not the only risks they face. Additional risks and uncertainties not presently known or that are currently considered immaterial may also impair their business and operations.

Ukraine crisis

Russia's invasion of Ukraine on 24 February 2022 and the resulting export control restrictions and international sanctions against Russia, Belarus and certain Russian entities and individuals have resulted in disruption to Airbus's business, its operations, data management and supply chain.

Following the imposition of export control restrictions and sanctions by the EU, the UK, the US and other countries that are relevant to the group's business, Airbus announced in March 2022 it has suspended the delivery of aircraft and support services to Russian customers, as well as the supply of spare parts, equipment and software to Russia. Airbus is complying with all applicable regulations and sanctions to its facilities and operations in Russia.

The crisis has increased Airbus's exposure to supply chain disruption risk. Part of the titanium used by Airbus is sourced from Russia, both directly and indirectly through the group's suppliers. While geopolitical risks are integrated into Airbus's titanium sourcing policies, the impact of Russia's invasion of Ukraine on the group's ability to source materials and components and any future expansion of sanctions is being reviewed.

Due to the above mentioned export control restrictions and sanctions, Airbus has been unable to physically deliver two aircraft previously recorded as sold at 31 December 2021. As a result, the associated revenues and margin were derecognised as of 31 March 2022. These aircraft were remarketed in the second quarter of 2022.

Although the full impact cannot reasonably be assessed at the time of this report, Airbus's business, results of operations and financial condition may be materially affected by the direct and indirect impacts of Russia's invasion of Ukraine and the resulting export control restrictions and international sanctions.

Foreign currency exposure

Airbus is exposed to certain price risks such as foreign exchange rate as well as interest rate risks, changes in commodity prices and in the price of its own stocks. Adverse movements of these prices may jeopardise Airbus's profitability if not hedged. Airbus intends to generate profits only from its operations and not through speculation on the development of such prices. Airbus uses hedging strategies to manage and minimise the impact of such price fluctuations on its profits, including foreign currency derivative contracts, interest rate and equity swaps and other non-derivative financial assets or liabilities denominated in a foreign currency.

The major part of its hedging activities is devoted to foreign exchange risks, as a significant portion of Airbus's revenues is denominated in US dollars, while a major portion of its costs is incurred in Euro, and to a lesser extent, in pounds sterling. Consequently, to the extent that Airbus does not use financial instruments to hedge its exposure resulting from this foreign currency mismatch, its profits will be affected by market changes in the exchange rate of the US dollar against these currencies. Airbus has therefore implemented a long-term hedging portfolio to help secure the rates at which a portion of its future US dollar-denominated revenues (arising primarily at Airbus) are converted into Euro or pound sterling. The Company does not engage in any hedging activity and is not therefore exposed to hedging risk other than through the future share of Common Business earnings.

Strategic report *(continued)*

***Risks and uncertainties** (continued)*

Foreign currency exposure (continued)

Although the majority of exchange rate risk for the Company is mitigated due to the Advanced Pricing Agreement (refer to turnover accounting policy in note 1.13), the Company's annual share of the Common Business result is denominated in Euros and therefore the Company's profitability is impacted by Euro exchange fluctuations.

Dependence on key suppliers and subcontractors

The Company is dependent on numerous key suppliers and subcontractors to provide it with the raw materials, parts, assemblies and systems that it needs to manufacture its products.

The Company relies upon the good performance and financial health of its suppliers and subcontractors to meet the obligations defined under their contracts.

A Supplier's performance and financial health may be negatively impacted by a variety of topics including: the COVID-19 pandemic and its resulting economic impact; loss of skilled resources as a result of workforce reduction and difficulties to re-staff due to market employment tensions; need for working capital increase while state/bank loans obtained to weather the COVID-19 crisis have reached maturity in a context of inflation, high energy costs and interest rate increases; difficulty gaining access to the needed material and components, including semiconductors, in the necessary quantity and time frame and at competitive conditions as well as transport and logistic means availability; cyber security threats; geopolitical unrest; export controls evolving regulations, sanctions and embargoes; and environmental issues.

In the context described above, changes to the group's production or development schedules may impact suppliers and customers so that they initiate claims under their respective contracts for financial compensation or do not fulfil their on time and on quality delivery commitments. This may have a negative effect on the financial condition and results of operations of the Company through the future share of Common Business earnings.

As the group's global sourcing footprint extends, some suppliers (or their sub-tier suppliers) may have production facilities located in countries that are exposed to socio-political unrest, natural disasters or sanctions imposed by governmental authorities which could interrupt deliveries. This may have a negative effect on the financial condition and results of operations of the Company.

Airbus cannot fully protect itself from non-performance of a supplier, including in case of external factors beyond its control, which could disrupt production and in turn may have a negative effect on its financial condition and results of operations of the group. Nevertheless, Airbus is striving to improve its supply chain resilience and has implemented a robust governance to prevent, anticipate and monitor supply chain disruption risks and efficient management of issues.

COVID-19

Over the last three years, new variants of the COVID-19 pandemic, the resulting health and economic crisis and actions taken in response to the spread of the pandemic, including government measures, lockdowns, travel limitations and restrictions, have resulted in significant disruption to Airbus's business, operations and supply chain.

The aerospace industry, the financial health of operators, airlines, lessors and suppliers, commercial aircraft market, demand for air travel and commercial air traffic have been severely impacted by the COVID-19 pandemic and the resulting health and economic crisis. As a result, airlines have reduced capacity, grounded portions of their fleets and sought to implement measures to reduce cash spending and secure liquidity. Some airlines have sought arrangements with creditors, restructuring or applying for bankruptcy or insolvency protection, which may have further consequences for Airbus and its order book as well as other consequences resulting from the related proceedings. Airbus will continue to face additional risks and uncertainties resulting from future consequences of the health and economic crisis on operators, airlines, lessors, suppliers and other actors in the air transport industry.

Notably in 2020 and 2021, a number of measures were taken by Airbus to implement stringent health and safety procedures while taking account of stock levels and production lead-times. The COVID-19 crisis may lead to further disruptions to the group's internal operations and to its ability to deliver products and services.

Strategic report *(continued)*

***Risks and uncertainties** (continued)*

COVID-19 (continued)

In addition to its impact on the financial viability of operators, airlines and lessors and the reduction of commercial air traffic, lockdowns, travel limitations and restrictions around the world have posed logistical challenges and may cause disruptions to Airbus's business, its operations and supply chain. These measures have and may continue to adversely affect the group's ability to deliver products and services as well as customers' ability to take delivery of aircraft.

Airbus has been adversely affected by weak market and economic conditions in markets around the world. Protracted weaker market and economic conditions and their knock-on effects have resulted in and could continue to result in (i) additional requests by customers to postpone delivery or cancel existing orders for aircraft or other products including services, (ii) decisions by customers to review their fleet strategy, (iii) weak levels of passenger demand for air travel and cargo activity more generally, (iv) a sustained reduction in the volume of air travel for business purposes, and (v) prolonged or additional travel limitations and restrictions, which could negatively impact Airbus's results of operations.

Airbus continues to monitor the evolution of the COVID-19 pandemic and will evaluate further impacts and additional measures going forward while taking into account the latest industry outlook.

Airbus's business, results of operations and financial condition have been materially affected in previous years by the COVID-19 pandemic, and the group may continue to face significant risks and uncertainties related to certain regions including China. There can be no assurance that the Company's business, results of operations and financial condition will not be materially affected by other pandemics in the future.

Cyber security risks

Airbus's extensive information and communications systems, industrial environment, products and services are exposed to cyber security risks. Cyber security threats are rapidly changing and scenarios of attacks are becoming more sophisticated.

Airbus is exposed to a number of different cyber security risks, directly or through its supply chain, arising from actions that may be intentional and hostile, accidental or negligent. Some of the objectives of an attacker are espionage, to influence, to create an obstacle to functioning or for lucrative purposes. The main cyber security risks for Airbus are intrusion in systems leading to data leakage, attacks impacting the resilience of industrial systems and compromising products and services.

All of the above mentioned risks are heightened in the context of the increasingly common use of digital solutions by Airbus (including greater use of cloud services, mobile devices, "internet of things"), increasingly capable adversaries and integration with the extended enterprise. Risks related to Airbus's industrial control systems, manufacturing processes and products are growing with the increase of interconnectivity and digitalisation. Moreover, a main challenge is to maintain an appropriate level of security of complex and legacy industrial systems to face attacks from hackers, who are improving their techniques and skills rapidly.

Finally, Airbus is exposed to reputational damage and destabilisation from the growing volume of false and malicious information injected into media and social networks.

Airbus continues to make significant efforts to prevent such risks from materialising. Targeted investments will reduce but not eradicate likelihood and impact through strengthening the business's cyber protection and resilience.

The materialisation of one or several of such risks could lead to severe damage including but not limited to significant financial loss, need for additional investment, contractual or reputational performance degradation, loss of intellectual property, loss of business data and information, operational business degradation or disruptions, and product or services malfunctions. Loss of personal data may result in administrative, civil or criminal liabilities including significant fines and penalties.

Strategic report *(continued)*

***Risks and uncertainties** (continued)*

Macroeconomic factors

In 2022, Airbus has been operating in an adverse macroeconomic environment in light of high inflation, energy crisis, increasing interest rates, but also remaining effects of the COVID-19 pandemic. During 2022, Airbus experienced increases in its labour rates, due to wage increases but also through the distribution of exceptional premiums granted to employees to help them face inflation and the energy crisis.

Although the majority of inflation risk for the Company is mitigated due to the Advanced Pricing Agreement (refer to turnover accounting policy in note 1.13), the Common Business result is impacted by inflation and other macroeconomic factors.

Climate factors

Climate change may have a major impact on both the group's industrial operations and its upstream and downstream value chains, including aircraft direct operations and the wider air transport ecosystem. Accordingly, climate-related risks can potentially affect the Company's business and competitiveness, its customers and other actors in the aviation industry.

As of 31 December 2022, to the best of Airbus's judgement, there is no material impact on the group's assets and liabilities. Airbus considered the assumptions related to the life cycle of its programmes and the related impacts on long-lived assets and concluded that there is no need for impairment. Similarly, Airbus did not identify any need for revision to the useful lives of the property, plant and equipment and intangible assets.

Forecast information

Airbus faces the following main challenges on its commercial programmes:

- adapt to rate and stabilise operational performance post-COVID-19 while maintaining high safety and quality standards;
- monitor and support the supply chain with a specific focus on engine manufacturers, especially in terms of availability and maturity of both production and in-service engines;
- accompany customers and facilitate deliveries to customers including by remote delivery process;
- ensure a strong customer focus to support return to operations; and
- protect priority projects and deliver developments as per revised plan in an environment of increased certification scrutiny and greater complexity, including A321XLR, A220, A350 Freighter, A350-1000 ULR and A330 LMXT (KC-Y)).

A320

In response to the new COVID-19 market environment, the commercial aircraft production rate for the A320 Family was adapted to 40 per month in June 2020. In 2021 and 2022, Airbus announced demand for the A320 Family leading to a gradual increase in production for the upcoming years. The group proactively and constantly monitors the backlog, the internal and external supply chain, including engines, so as to ensure readiness for further rate adaptations in accordance with traffic evolution, to minimise inventory levels, and secure aircraft storage capacity.

In connection with the A320 Family programme, Airbus faces the following challenges: ensure the A321XLR on-track development including A321XLR certification topics with primary airworthiness authorities, adapt and upgrade the industrial system and capability to meet the growing market demands and corresponding product mix within the family. Market demand for single aisle aircraft, production and supply chain capabilities will evolve in the next few years and Airbus will closely monitor these evolutions including a projected significant increase in A321 production. Attention will remain high on the overall supply chain including engines' ramp up availability and engine maturity in-service.

Strategic report *(continued)*

***Forecast information** (continued)*

A350

In connection with the A350 programme, Airbus faces the following main challenges: to secure revised delivery targets and further rate adaptation depending on traffic evolution, monitor and support the supply chain including lead-time items from suppliers, reduce recurring costs to improve competitiveness within a widebody market that starts to recover, and deliver on major programme developments (A350 Freighter development, A350-1000 Ultra Long Range certification baseline, A350 new paint scheme). Attention will remain high towards the engine manufacturer's capacity to deliver on engines' maturity and competitiveness topics.

A330

In response to the new COVID-19 market environment, the commercial aircraft production rate for the A330 programme was adapted to two per month in June 2020. Then, following new orders, the decision was taken in Q3 2021 to increase the production rate to almost three, which was done at the end of 2022. In February 2023, Airbus announced it now targets to reach rate four in 2024. Decisions on further rate adaptation will depend on traffic evolution.

In connection with the A330 programme, the main challenges the group faces are to secure product competitiveness in the widebody market segment, and to monitor and support the supply chain. The developments were delivered on track in recent years. Attention will remain high towards the engine manufacturer's capacity to deliver on engines' maturity and competitiveness topics.

A220

In connection with the A220 programme, the main challenges Airbus faces are to secure the A220 cost reduction trajectory with a strong focus on its Design to Cost roadmap and recurring cost reduction, and to ensure an A220 book to bill above one to fill current open slots. As a consequence of the COVID-19 pandemic, the commercial aircraft production rates were adapted to rate five per month (in Mirabel and in Mobile) in 2020-2021 and have been around rate six since early 2022 with a monthly production target of rate 14 targeted for the middle of the decade. Attention will remain high on the overall supply chain including engine maturity and availability in service.

A380

In connection with the A380 programme, Airbus faces the following main challenges: secure ageing fleet in-service support for the next decades and long-term competitiveness.

A400M

After Airbus signed a contract amendment to restructure the contract, risks remain on development of technical capabilities (development effort as well as possible commercial agreement associated costs in order to reach Type Acceptance) and the associated costs, on aircraft operational reliability, on cost reductions and on securing sufficient export orders in time as per the revised baseline.

Research & Technology

The Research & Technology programme is primarily targeted at maintaining the highest level of safety, creating innovative solutions to address market requirements, enabling the business to reduce its manufacturing costs, improve its products' performance and time to market, and to improve the in-service support required by customers.

The technology strategy and programme content in the UK is developed as part of a holistic approach consistent with the group, and currently covers metallics, composites, next generation composite manufacturing capability, electric/hybrid technology, Sustainable Aviation Fuels (SAFs), advanced wing engineering and systems. The work programme is developed to facilitate full co-operation with our research partners in government, industry, laboratories and universities.

Airbus is a key partner in the Aerospace Growth Partnership (AGP) which brings government and industry together to secure the long-term future of the UK aerospace sector. We are a major partner in the Aerospace Technology Institute (ATI), which is positively promoting research and development into new technology for the aircraft of the future.

Strategic report *(continued)*

Responsibility and Sustainability

Airbus's purpose is to "pioneer sustainable aerospace for a safe and united world". Airbus designs, manufactures and delivers aerospace products, services and solutions to customers on a worldwide scale helping to create value and drive growth. Airbus is deeply aware of its responsibility to society and future generations, and contributes to a number of UN Sustainable Development Goals ("SDGs") through its core business and how it operates.

Airbus strives to respect the planet. It aspires to lead the journey towards clean aerospace. Airbus pioneers advanced and disruptive technologies while delivering and continuously improving its fuel-efficient products. From exploring new aircraft and propulsion technologies and alternatives to fossil fuels (sustainable aviation fuels) to testing new prototype aircraft powered by hydrogen, Airbus is committed to reducing the environmental impact of its products. It is also committed to taking environmental responsibility and, for example, to actively reducing emissions through its value chain, cutting on-site waste and increasing the recycling of aircraft at the end of their service life. Airbus products and services, such as its Earth-observation technologies, allow it to play an active role in tackling climate change, providing insights that help make the planet more resilient.

Airbus is committed to valuing people. Its business is built on a foundation of safety, quality, integrity and compliance, with the highest standards ensured from design to operation. It supports the balance of powers and is uniquely-positioned to strengthen global resilience through its products and services. Airbus technology allows its customers to protect lives during a conflict and prevent crises before they escalate. Airbus products help to protect citizens, defend sovereignty and advance global security, mindful that there can be no sustainability without security.

Airbus enables prosperity. Its products help to unite cultures, connect economies, and enable global cooperation and partnership. Airbus brings together people and organisations across the globe, physically with its commercial aircraft and helicopters, and virtually with its satellites and connectivity solutions. It mobilises the collective positive impact of its workforce, products and services to tackle societal challenges in partnership with local communities. In addition, Airbus works collaboratively to maximise its positive impact, playing an active advocacy role, educating the aerospace industry and partnering with other businesses and public sector organisations to develop technology and solutions that will allow the industry to transition towards a sustainable economy. It is committed to being an economically resilient business that has the financial strength to invest in a more sustainable future. Airbus believes that a sustainable tomorrow needs the strongest foundations today.

Respect for Human Rights

During 2022 Airbus continued to drive actions in support of its human rights ambition 'to embed and advance human rights throughout our business, organisation and supply chain' in relation to activities under its full, direct control. For further information, see the 2022 Report of the Board of Directors, published on airbus.com on the Investors Relations webpage.

UK Modern Slavery Act

As part of its obligations under the UK Modern Slavery Act, and in recognition of the global aim of this topic, Airbus SE published its latest Modern Slavery Statement in 2022 covering the year ended 31 December 2021. Modern slavery, including forced, child, bonded and indentured labour, is a topic progressed through the human rights roadmap.

Strategic report *(continued)*

***Responsibility and Sustainability** (continued)*

Gender Pay Gap report

The Company employs over 7,000 people in the UK. Our two largest sites, Filton in Bristol and Broughton in North Wales, span a wide field of technical disciplines, chief among which are the design, testing, and manufacturing of wings; support services for Airbus's commercial aircraft; along with the design, engineering, testing and support of their fuel systems and landing gears.

A negative mean pay gap of -4.2% is reported for 2022 resulting from a one-off situation which caused a shift in the proportion of women in the higher pay quartiles.

Firstly, 56% of the population have their pay rates collectively bargained by the Trade Union, with 93% of these being male. The agreement for a two-year 8.6% pay deal for this group was not made until late in April 2022 and these salary increases were therefore not included in this analysis. The salaries in this predominantly male group had not increased, whereas the salaries of other groups, with a lower male proportion, had increased.

Secondly, 39% of the population had their remuneration restructured in 2022. This population, as with the rest of Airbus, is predominantly male. However, this population has a higher proportion of women (17%) than the population whose pay is collectively bargained (7%). Therefore, at the reporting date of April 2022, this group saw temporarily high pay when compared to the collectively bargained group, who didn't receive an increase until May 2022, influencing the gender pay gap in favour of women.

Thirdly, the proportion of the population earning lucrative shift pay at 20%, 30%, 38% and 42% has decreased since 2022. Those people, predominantly male, who would have worked shifts which provide this type of pay are now on work patterns that do not attract a premium. This has a larger effect on male pay than female pay.

We expect the difference in the first two factors listed above to be temporary, and we anticipate our gender pay gap will return to between -4% and 4% in 2023.

Duty to report Payment Practices and Performance

In 2022, in accordance with new regulations made under section 3 of the Small Business, Enterprise and Employment Act 2015, Airbus published its twice-yearly payment practices and performance report, details of which can be found on the specific Government website. Our results reflect the unique nature of the aerospace industry and the long lead times taken to produce, deliver and receive payments for our products.

Sustainable Supply Chains

The Airbus sustainable supply chain ambition is built on four pillars: "lead the journey towards clean aerospace, respect human rights and foster inclusion, build our business on the foundation of safety and quality, exemplify business integrity". Derived from this ambition, the Airbus Sustainable Supply Chain Roadmap is based on a three-step approach: supplier commitment, supplier assessment, supplier engagement and development.

Airbus strives to make environmental and social responsibility a core element of its procurement strategy. This includes managing the relationships with suppliers throughout the sourcing strategy, supplier selection, contract management and supplier monitoring and development. Airbus suppliers must comply with all applicable laws and regulations. In addition, all business shall be conducted by suppliers in compliance with the principles of the Airbus Supplier Code of Conduct, which is the document of reference for the Company's responsible supplier management. This Supplier Code of Conduct integrates the group-wide values and principles in line with internationally recognised standards and conventions (such as the Organisation for Economic Co-operation and Development and International Labour Organisation)

Strategic report *(continued)*

Responsibility and Sustainability *(continued)*

Sustainable Supply Chains (continued)

In order to drive the Sustainable Supply Chain Roadmap (SSCR), a monthly steering committee chaired by the Head of Sustainability & Environment, and the Head of Procurement Governance & Strategy and the representative of the Chief Procurement Officer of the Airbus group of companies has been created. The steering committee includes Chief Procurement Officers, the corporate Heads of Health & Safety, Product Safety and Ethics & Compliance, or their nominated representatives. The corporate Executive Vice President, Communication and Corporate Affairs and the Chief Procurement Officer of the Airbus Group act as sponsors of the SSCR. In addition, the Head of Procurement Governance and Strategy is part of the Procurement Leadership Team (PLT) and is responsible for facilitating the communication on sustainability activities between the SSCR and the PLT on a regular basis.

In 2022 the SSCR steering committee validated the annual planning and, quarterly, reviewed the progress of its sustainable supply chain roadmap implementation notably regarding the assessment of suppliers' sustainability practices as well as the reinforcement of the engagement with suppliers. In addition to these fora, the Chief Procurement Officer of the Airbus group also reports to the Ethics, Compliance and Sustainability Committee ("ECSC") on the progress of the Airbus responsible sourcing strategy implementation.

Sustainability targets are included in the 2022 objectives of the Corporate Chief Procurement Officer ("CPO") and are directly linked to the CPO's variable pay and cascaded through the Airbus Procurement organisations:

- Commitment by suppliers to the Airbus Supplier Code of Conduct for 85% of the 2021 sourcing volume;
- Supplier sustainability assessments completed for 50% of the 2021 sourcing volume;
- Response of suppliers to CDP (formerly known as the "Carbon Disclosure Project") assessment for 75% of the 2021 sourcing volume.

All sustainability activities in the supply chain are based on the following key elements and principles of due diligence following the OECD Due Diligence Guidance for Responsible Business Conduct:

- supply base risk mapping;
- supplier engagement and contractual requirements;
- supplier assessment/audits and development plans;
- policies, tools and reporting.

For any anti-corruption topics in the supply chain, the Procurement function cooperates closely with the Legal and Compliance department. Airbus continues to evolve its due diligence mechanisms.

Responsibility to the Environment

Aviation produces between 2% and 3% of global human-induced Greenhouse Gas (GHG) emissions. Airbus recognises its role in contributing to mitigating the global footprint of the sector and the importance of aligning and respecting the commitments of the Paris Agreement. Airbus has the ambition to deliver Industrial (Scope 1 and 2) emissions reduction in line with the Paris Agreement and Science Based Targets (SBTi) and continually improve manufacturing and site operations. Airbus has the climate ambition to reduce Scope 1 and Scope 2 industrial GHG emissions by up to 63% in absolute value by 2030 below 2015 levels. Airbus has also set the following targets for 2030 (vs 2015 baseline):

- -50% reduction in purchased water; 0% increase in water withdrawal;
- -20% reduction in final energy consumption from stationary sources and electricity across the Airbus reporting scope;
- -20% reduction in waste produced (tons) excluding exceptional waste, with no landfill or incineration without energy recovery;
- 0% increase in emissions of volatile organic compounds.

Strategic report *(continued)*

***Responsibility and Sustainability** (continued)*

Responsibility to the Environment (continued)

In the last 50 years, the aviation industry has cut fuel consumption and CO2 emissions per seat / kilometre by more than 80%, NOx emissions by 90% and noise by 75% per aircraft operation. Whilst this performance is impressive, Airbus and the aviation industry recognise the importance to continue improving the sector's environmental performance in all areas – from noise to air quality and GHG emissions, notably CO2.

Due to the industry's short to medium-term reliance on fossil-based fuels as well as potential additional impacts from non-CO2 factors, the reduction of aviation's impact on climate change remains an environmental challenge. Airbus is fully committed to supporting and promoting the decarbonisation of the aviation industry as we 'pioneer sustainable aerospace for a safe and united world'.

Decarbonisation requires a myriad of measures such as new technologies, hydrogen fuels, Sustainable Aviation Fuels (SAFs), new operating procedures and market based measures.

Airbus aims to bring the first hydrogen-powered commercial aircraft to the market by the middle of the next decade, and to play a leading role in the decarbonisation of the aviation sector.

This does not exclude the use of SAFs, which are available now and can be easily combined with existing conventional jet fuel. The use of 100% SAF can achieve lifecycle emissions savings of over 70% compared with fossil based jet fuel.

Airbus is a full member of the Jet Zero Council, a partnership between industry and government that brings together ministers and chief executive officer-level stakeholders, with the aim of delivering at least 10% SAF in the UK fuel mix by 2030. The Jet Zero Council is also working on achieving zero emission transatlantic flight within a generation, driving the ambitious delivery of new technologies and innovative ways to cut aviation emissions.

New technologies are constantly in development at Airbus with investment in R&D projects and collaborations increasing, including working closely with the ATI (Aerospace Technology Institute). Airbus welcomed the uplift and extension of ATI funding, which will support R&T programmes for wings, fuel systems and landing gear as well as the establishment of a Zero Emissions Development Centre in the UK at Filton.

Ethics and Compliance

Airbus is committed to the highest ethical standards of integrity, transparency and professionalism. All Airbus employees are expected to uphold the Airbus Values and adhere to the Airbus Code of Conduct in all aspects of business life. The Airbus Code of Conduct outlines the guiding principles for daily business, including the group's relationships with business partners, fellow employees, shareholders and governmental authorities.

The Company applies the Airbus Ethics and Compliance programme, which is structured around three key risk areas: 1) business ethics/anti-corruption compliance, 2) export compliance and 3) data protection compliance. Each of these areas is, in turn, supported by dedicated compliance policies and a team responsible for their implementation, together with the identification and proposal of new measures to adapt to a constantly evolving regulatory landscape.

The Company employs a dedicated full-time Ethics and Compliance Manager as well as an Export Control Manager who are part of the Airbus Ethics and Compliance function. They are responsible for supporting and advising across the Company on compliance related topics, supporting the day-to-day business, performing risk assessments, conducting third party due diligence, investigating compliance allegations, implementing tools and controls and delivering compliance training.

Strategic report *(continued)*

***Responsibility and Sustainability** (continued)*

Ethics and Compliance (continued)

In addition to the dedicated Compliance professionals, by the end of 2022, the Company had appointed 16 part-time Ethics & Compliance Representatives ("ECRs"). Although the ECRs are not compliance experts, they play an important role in promoting the Ethics & Compliance programme and culture and serve as points of contact for any employee who has questions about the Ethics & Compliance programme or wishes to raise an Ethics & Compliance concern, including, but not limited to, bribery or corruption.

In February 2022, Airbus launched the Export Control Points of Contact ("EPoCs") network. Similar to ECRs, EPoCs are not export control experts but serve as "first line of defence" and the "go-to" individuals for export control matters. By the end of 2022, the Company had appointed 10 EPoCs. In 2022, the Company conducted a dedicated bribery and corruption risk assessment, the results of which were presented to the Company's top management.

As part of their annual goals & objectives for 2022, all Company employees were required to undergo a minimum amount of compliance training via e-learning. Additionally, depending on the function and the level of risk implied by their role, certain employees were elected to attend live classroom training, including on Anti Bribery & Corruption and Export Control.

The Company encourages its employees to speak up through various channels, including through OpenLine (available at https://www.airbusopenline.com). The OpenLine enables users to submit an alert securely and confidentially, and also to ask questions related to Ethics & Compliance. The Company protects those who speak up and raise concerns appropriately and in good faith. The Company does not retaliate against anyone who raises a concern, or against those who assist in investigations of suspected violations.

Airbus Foundation

The Airbus Foundation facilitates philanthropic initiatives worldwide by providing access to Airbus's unique portfolio of high-tech products, services and know-how.

In 2022, the Airbus Foundation continued to work with its partners to provide humanitarian response, carrying more than 175 tons of aid and chartering 302 flight hours in response to flooding and famine crises, among others, in countries like the Philippines, Madagascar and Somalia. The Foundation provided around 27,419km^2 of satellite imagery coverage to its partners worldwide to facilitate assessment and response planning.

The Airbus Foundation enriched its offering for young people by launching a new, free-to-access website featuring science, technology, engineering and maths (STEM) content in four languages: the Airbus Foundation Discovery Space. In 2022, the Foundation's youth programmes reached 9,000 students across 17 locations.

The Airbus Foundation provided 2,453km^2 of satellite imagery to the Connected Conservation Foundation, to support the preservation of wildlife and natural eco-systems in South Africa and Kenya. It also provided imagery and technical data and project management services to the International Union for the Conservation of Nature, supporting validation for their Restoration Barometer, which monitors the progress of forest restoration projects.

Impact on the UK economy

Aviation continues to play a vital role in the UK economy. The UK aerospace sector is the third largest in the world. An independent assessment by Oxford Economics (see https://bit.ly/3wMM1Vf) estimated that Airbus' global operations in 2020 supported around 86,000 UK jobs including an extended supply chain of almost 3,000 UK companies, including around 700 SMEs.

Airbus also recognises the importance of its local communities to its business. Every year Airbus supports many community activities focused on youth, education and the environment.

Strategic report *(continued)*

***Responsibility and Sustainability** (continued)*

Attracting Talent to our Business

Attracting a steady flow of talent into Airbus is crucial. Airbus is a global leader in the aviation industry, offering exciting career opportunities for individuals who are passionate about innovation and technology. With a diverse range of functions, from engineering to marketing, and operations to finance - and opportunities for employees to work across these functions - Airbus provides a dynamic and stimulating work environment that challenges employees to push the boundaries of what is possible. With a commitment to employee development and growth, Airbus invests in its people and provides them with the tools they need to succeed. In the UK our organisation offers opportunities to all talent groups - from school leavers to experienced professionals.

Many of our employees and senior managers are involved in initiatives to inspire young people, influence education policies and champion the need to invest in and foster engineering talent in particular. Airbus in the UK has an award-winning apprenticeship programme responsible for enrolling around 3,000 apprentices over the last three decades, with more than 250 apprentices currently pursuing their qualifications within Airbus. Airbus also attends and runs events to inspire young people in STEM subjects and in particular, in aviation. School engagement activities paused for the COVID-19 pandemic are now back in operation and Airbus is pleased to continue to offer a fully virtual Work Experience in 2023 building on the more than 9,000 pupils and students that took part between 2020 and 2022.

Employee Engagement

At Airbus we recognise that our employees are key stakeholders within our business. We engage with employees through regular internal communication on specific corporate and local topics of interest.

In 2022 Airbus continued to engage with employees through a range of internal communications channels. These included an employee intranet portal, direct emails, Airbus TV, noticeboards around site and monthly communication briefing sessions for managers, who then cascade messaging to their own teams.

Ad-hoc large-scale virtual meetings are also held as and when required for "hot topics" and with the end of COVID-19 prevention measures, larger in person meetings resumed for the cascade of messages from global executives.

All communication techniques are evaluated for impact and reach. Trends and themes identified are used to inform future communication techniques. In addition, employees are regularly encouraged to pose questions to the leadership team. Responses are fed back using the monthly cascade route.

Local teams also stepped up efforts to engage colleagues in their direct work areas through breakfast meetings and workplace discussions. These programmes targeted specific issues relevant to colleagues at a local level, in line with Airbus's global engagement survey which focuses on 'my working environment'. Through this, new tools have been launched which provide managers with the opportunity to launch engagement surveys and action plans on an ongoing basis with their teams. Ensuring that the outcomes are regularly communicated through internal communications is a key part of the programme.

Climate-related Financial Disclosure

Introduction

In line with the Airbus purpose, "pioneering sustainable aerospace for a safe and united world", and its aim to lead the transition of the air transport sector towards its net-zero carbon emissions aspirational goal, Airbus's foremost ambition as an aircraft manufacturer is to bring the first hydrogen-powered commercial aircraft to the market by the middle of the next decade, and to play a leading role in the decarbonisation of the aviation sector. In parallel, Airbus is investing large resources into examining and reducing the impact of its products in operation together with all actors within the aviation sector. Consideration of greenhouse gas ("GHG") emissions throughout the value chain, which are predominantly carbon dioxide (CO_2) emissions, is a key focus for the Airbus group analysis of its contribution to climate change. The non-CO_2 effects of aircraft operations are also being studied in order to determine their potential contribution to the climate.

Strategic report *(continued)*

***Climate-related Financial Disclosure** (continued)*

Introduction (continued)

Climate change is considered by Airbus as a financially material topic and is one of its top risks (see 'Risks and uncertainties' section above). Impact materiality was also confirmed through the comprehensive Scope 1, 2 and 3 screening completed in 2022 in the framework of the Airbus group submitting targets for validation of the Science-based Target Initiative (SBTi), using the recommended Greenhouse Gas Protocol methodology.

CO2 emissions from commercial aircraft in operation appear to be the most material category. According to both the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), air transport represented over 2% of global man-made GHG emissions in 2021. While this makes the decarbonisation of aircraft operations the absolute priority, addressing emissions from upstream industrial operations, including Airbus's own, is also seen as an important objective. In this context, the Airbus roadmap to decarbonisation is intrinsically linked to the entire sector's. While Airbus has a direct and critical role in developing and providing technical solutions, the concomitant development of adapted ecosystems will also be a key success factor, which Airbus intends to facilitate and enable.

In addition, in order to better meet stakeholders' expectations and develop its own climate strategy, Airbus SE adheres to the CDP (formerly Carbon Disclosure Project), Science-Based Target initiative (SBTi) and Taskforce on Climate-Related Financial Disclosures (TCFD) initiatives. In 2022, the Airbus group's approach to climate change was rated A- by the CDP for the third consecutive year. In addition, Airbus recently set its first near-term science-based targets to reduce emissions on all scopes, in line with a 1.5°C temperature pathway for its Scope 1 & 2 emissions, which were submitted to SBTi in June 2022 and validated in January 2023. The following sections gather information related to the four pillars of the TCFD framework, which Airbus has supported since December 2020.

Organisation and responsibilities

Two main management structures are relevant for the governance of sustainability matters and climate change: the Board of Directors of Airbus SE and the Executive Committee.

As mentioned earlier, the Board of Directors of Airbus SE is supported by the ECSC. In practical terms, the ECSC, as a committee of the Board of Directors, oversees strategic decision-making and the execution of the approved sustainability strategy, including areas such as innovation and environmental and climate action.

In 2022, the ECSC reviewed and provided guidance on a wide variety of climate-related topics, including the SBTi targets, sustainable aviation fuels, and decarbonisation of the supply chain.

To support the Executive Committee in environmental matters, especially climate-related, an Environment Executive Steering Committee ("EnC") was established in 2019. The EnC is composed of members of the Executive Committee and senior executives company-wide responsible for environmental topics. It meets once a month to review progress and take decisions on all matters related to environmental strategy. The EnC reviews climate change related topics, including the progress on meeting objectives to reduce GHG emissions, the decarbonisation strategy and climate-related risks. Two of the Board of Directors of Airbus Operations Limited are members of the EnC.

Environmental operations are led by the Sustainability & Environment department whose role is to guide the business on environmental matters and to set the policy and deploy, drive and improve the Environmental Management System ("EMS") throughout the group.

Strategic report *(continued)*

***Climate-related Financial Disclosure** (continued)*

Organisation and responsibilities (continued)

Airbus's EMS is based on ISO 14001:2015. It was recertified in November 2022, having previously confirmed by certification surveillance audits in 2020 and 2021. The group's environmental strategy is implemented operationally by dedicated multi-functional teams at corporate and/or divisional level. These cover topics such as industrial and site impact, product operation, supply chain or chemical substances.

Disclosure of environmental indicators

Airbus actively monitors its environmental data throughout the organisation in order to measure the environmental impact of its operations, track its performance and communicate information on environmental matters to internal and external stakeholders. Since 2010, environmental data published by the Airbus group has been verified by external auditors.

Capturing emerging regulatory requirements, stakeholder's expectations and trends

In order to be aware of fast-evolving sustainability regulations, requirements and expectations that could impact its business, a "Sustainability Regulatory Intelligence" team monitors regulatory developments with a view to understanding, evaluating, anticipating and preparing for legal and regulatory requirements that apply to Airbus activities and products. This Sustainability Regulatory Intelligence team covers sustainability-related topics, including: environment, human rights and sustainable finance.

Risk management

Environmental risks and opportunities are managed following the group's ERM system. A specific sustainability and environment ERM plan integrates additional requirements, defined within the ISO14001:2015 certified EMS, and provides a set of rules applicable group-wide, to ensure a consistent management of environmental risks and opportunities.

Relevant criteria for the evaluation of environmental risks and opportunities include: financial impact, impact on environmental performance, and impact on EMS certification, as well as legal, supply chain and reputational aspects.

Risks and opportunities are reported quarterly to the Executive Committee of Airbus SE and of its Divisions, including climate-related risks. Top risks are consolidated at group level to be brought to the attention of the Board of Directors of Airbus SE and reviewed semi-annually.

Climate-related risks and opportunities

In accordance with the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations, Airbus is strengthening its ERM risk identification process for climate-related risks and opportunities, incorporating climate scenario analysis. Climate-related risks (adaptation and mitigation) shall be deemed to be incorporated by reference and form part of the non-financial information. Airbus used three temperature climate scenarios: 1.5°C, 2°C and 3°C; and three time horizons: short-term ("ST", around 2025), medium-term ("MT", around 2035) and long-term ("LT", around 2050) in identifying climate-related risks and opportunities. The assessment of risks and opportunities identified by Airbus is subject to revision as the methodology and process further mature.

Strategic report *(continued)*

Climate-related Financial Disclosure *(continued)*

Transition plan

Based on identified risks and opportunities, Airbus has established a transition plan covering its industrial operations, products and services, supply chain, employees and communities, including relevant targets, against which performance is monitored and reported. Regarding GHG emissions, this plan was based on a scientific approach and is consistent with the aviation sector's decarbonisation long-term aspirational goal of reaching net-zero carbon emissions by 2050. Its success will depend on coordinated collaboration with numerous players in the sector.

Airbus strives to have the aviation sector engaged to work towards and contribute to a just transition to a low-carbon economy, whereby air transport's decarbonisation journey is fair and inclusive. According to the International Energy Agency, based on the remaining global carbon budget and the share allocated to air transport, air transport can grow at a certain level and meet the Paris Agreement objectives. This relies in part on technological developments to improve the efficiency of air transport, in which Airbus has a critical role to play. This approach also echoes "net zero carbon 2050" ambitions from international sectoral bodies such as the Air Transport Action Group (ATAG), as well as the UN specialised civil aviation body, the International Civil Aviation Organisation. This is consistent with the Airbus mid-term target setting, covering all three scopes, and with its core product policy that focuses on developing and delivering aircraft with lower carbon emissions while engaging with the energy ecosystem.

The cost of such a transformation of the sector is expected to be substantial. In particular, the carbon price (through taxation, emissions trading and crediting schemes) and the extra cost for sustainable aviation fuels and/or higher investments are likely to materially impact business models of operators. However, even if reportedly difficult to predict, according to a study published in 2022 by ATAG named "What will it cost to get to net-zero carbon for global aviation?", these extra costs could be offset to a large extent by more efficient operations, especially where markets are developing. This could mean limited consequences on air fares, with differences across regions. Ultimately, the overall affordability of air travel could remain relatively similar, and so, access to air travel should be preserved for the greatest number of people, according to the report.

The required transformation of the sector also implies the emergence of new technologies and associated ecosystems, with expected impacts on jobs and required skills. Preparing the workforce for such changes will be both a social duty and an important success factor. Conversely, if uncontrolled, the development of these technologies and energies could have undesirable side effects, such as inappropriate land use impacting local communities and human rights. Airbus will strive to influence the ecosystem to consider and avoid these impacts, and to engage accordingly with any relevant stakeholders in constant dialogue.

Environment Health and Safety

The health and safety of our employees remains a top priority for Airbus. Our Environment, Health and Safety (EHS) management system enables employees to work safely, by providing relevant skills, training, information and enabling identification and appropriate control of risks. Regular performance reports are provided to senior management. Our safety performance has improved significantly as a result of our consistent approach at all levels of the organisation aiming to identify and eliminate the causes of accidents and to manage risks appropriately, including requirements for reporting and thorough investigation of injuries. Our successful 'near-miss' reporting continues to identify areas of improvement to drive down accidents at work and improve our overall safety performance.

Our in-house Occupational Health team manages all appropriate health surveillance and any work related health issues are followed up and reported appropriately. Occupational Health continues to offer employees significant health support which includes a range of physiotherapy treatments and comprehensive mental health assessment and support. Health promotion is carried out on a regular basis and five self- operated health check machines are in use, covid permitting.

Strategic report *(continued)*

***Environment Health and Safety** (continued)*

Airbus takes its environmental responsibilities seriously and our Environmental Management System is accredited to ISO 14001. We constantly strive to reduce emissions, waste, water and energy usage to minimise any adverse environmental impact our activities may create. Regular sustainability reviews are held at both main UK sites developing new ideas and driving environmental improvements in support of the Airbus purpose to pioneer sustainable aerospace for a safe and united world.

We are working in close partnership with our Trade Union colleagues on health and safety. Trade Union Safety Representatives attend health and safety review meetings and Senior operational and EHS managers attend Trade Union safety meetings. This integrated approach has been instrumental in our EHS improvement journey which includes the sharing of best practice via the Airbus global People Safety @ Work initiative which also includes culture change.

Post Balance Sheet Events – settlement agreement with Qatar Airways

On 1 February 2023, Qatar Airways and Airbus announced they had reached an amicable and mutually agreeable settlement in relation to their legal dispute over A350 surface degradation and the grounding of A350 aircraft. The parties have proceeded to discontinue their legal claims. The settlement agreement is not an admission of liability for either party. The parties have also agreed terms for the delivery of 50 A321 and 23 A350 aircraft.

By order of the board

P McKinlay
Director

Pegasus House
Aerospace Avenue
Filton
Bristol
BS34 7PA

16 May 2023

Directors' report

The directors present their Directors' report and financial statements for the year ended 31 December 2022.

Principal activities

Airbus Operations Limited undertakes aerospace activities comprising the design and production of wings and associated equipment for the Airbus range of aircraft.

Airbus is one of the world's leading aircraft manufacturers of passenger airliners. The activities of Airbus are the development, manufacturing, marketing and sale of commercial jet aircraft of more than 100 seats; aircraft conversion and related services; development, manufacturing, marketing and sale of regional turboprop aircraft and aircraft components.

Airbus Commercial Aircraft's comprehensive product line comprises successful families of jetliners ranging in capacity from 100 to more than 400 seats: the A220 Family, the A320 Family including the latest advanced technology A320neo, which is civil aviation's best-selling product line; the A330 Family, including the advanced A330neo; the latest generation widebody A350 and its freighter derivative the A350F.

Proposed dividend

The directors do not recommend the payment of a dividend *(2021: £Nil).*

Directors and directors' interests

The directors who held office during the year were as follows:

Christophe Bardin
Mark Stewart
John Harrison (Chairman)
Paul McKinlay

Certain directors benefit from qualifying third party indemnity provisions in place at the date of this report.

Employees

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin or disability, subject only to considerations of national security. The company's policy is to provide, wherever possible, employment opportunities for disabled people and ensure that disabled people joining the company and employees who become disabled whilst in our employment benefit from training and career development opportunities.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year *(2021: £Nil).*

Directors' report *(continued)*

Streamlined Energy and Carbon Reporting

Airbus Operations Limited is committed to improving its environmental footprint and is undertaking activities framed within the UN Sustainable Development Goals. In 2019, Airbus rolled out High5+, a plan to reduce the environmental footprint of its activities globally by 2030. These objectives have been set in absolute value compared to 2015 levels to reduce energy consumption, CO_2 emissions, water consumption, Volatile Organic Compound (VOC) emissions and waste production. High5+ engages sites and functions, making sure that each area plays its part in delivering the global 2030 objectives. Specifically on energy and CO_2, the objective is to reduce energy consumption by 20% and reduce Scope 1 and Scope 2 net Greenhouse Gas (GHG) emissions by 63% in line with a 1.5°C trajectory. In 2022, this target was submitted for the validation of the 'Science Based Targets Initiative' (SBTi) alongside a target for Scope 3, using the recommended Greenhouse Gas Protocol methodology. The SBTi approved Airbus's near-term GHG emissions reduction target in February 2023. Longer term, Airbus contributes to the ambition set by the International Air Transport Association (IATA), the Air Transport Action Group (ATAG) and the International Civil Aviation Organization (ICAO) to reach net-zero carbon emissions by 2050.

In addition to clear annual targets for each site, local sustainability teams have been set up at all large sites to develop initiatives and maintain progress. In the UK all sites are certified to ISO 14001.

In line with the Government's Streamlined Energy and Carbon Reporting requirements, the Board of Directors set out below details of emissions and actions undertaken.

Methodology and findings

The following methodologies have been used to calculate the below CO_2e emissions:

- The conversion factors used to calculate emissions due to natural gas and company vehicle fuel usage (Scope 1) are the IEA 2022 conversion factors (natural gas) and DEFRA UK Fuels Standard Set (Diesel Average Biofuel Blend) Scope 1 2022 v2. The use of these conversion factors is in line with Airbus global reporting for carbon emissions and are used for consistency; and
- The conversion factors used for carbon emissions due to electricity usage (Scope 2) are the DEFRA UK Electricity Standard Set Scope 2 2022 v2 conversion factors.

2022

Emissions Source	Energy Consumption (kWh)	CO_2e (tonnes)
Scope 1 – Natural Gas and Company Vehicle Fuel	109,441,810	22,348
Scope 2 – Electricity	61,282,620	11,851
Total (Scope 1 + 2)	**170,724,430**	**34,199**
Turnover (£m)	4,116	
Intensity Ratio: tCO_2e/turnover £m	8.31	

2021

Emissions Source	Energy Consumption (kWh)	CO_2e (tonnes)
Scope 1 – Natural Gas and Company Vehicle Fuel	146,559,000	29,893
Scope 2 – Electricity	50,092,000	10,636
Total (Scope 1 + 2)	**196,651,000**	**40,529**
Turnover (£m)	3,256	
Intensity Ratio: tCO_2e/turnover £m	12.45	

Directors' report *(continued)*

***Streamlined Energy and Carbon Reporting** (continued)*

Methodology and findings (continued)

The increase in Scope 2 emissions in 2022 and a reduction in the use of Combined Heat and Power at the Broughton site. Gas consumption (Scope 1) reduced as less gas was used to generate electricity as the amount of electricity imported from the national grid increased. In addition, the warmer than average year, and turning down the heating in our buildings, further reduced gas consumption.

56% of the electricity purchased for our Broughton and Filton sites during 2022 was from renewable sources with Renewable Energy Guarantees of Origin.

The Intensity Ratio is reported as tCO_2e per revenue £M to provide consistency and comparison with our global and national reporting of energy consumption and emissions data.

Scope 3 (personal car usage for business travel) emissions have not been included in the table above on the grounds that they are not material in relation to the Company as a whole (the Scope 3 emissions account for approximately 0.05% of total emissions). Estimated Scope 3 figures for 2022 were 85,000kWh energy consumption / 20 tonnes CO_2e *(2021: 90,000kWh energy consumption / 20 tonnes CO_2e).*

Energy Efficiency

As part of its strategy to improve energy efficiency, the Company is exploring specific energy improvement projects and maintenance replacements. Replacements under maintenance will be to the latest applicable energy standard.

As many Airbus UK sites include large buildings, for manufacturing and testing activities, lighting is a significant electricity use. Airbus activities in 2022 therefore included the replacement of industrial and office lighting with LEDs at our main sites. This work will continue during 2023 together with a project, starting in 2023 to replace electric motors with more efficient motors, in Broughton.

In 2022, Airbus completed an energy/decarbonisation and water efficiency study with external consultants across its main UK sites.

Airbus took action to reduce temperature in our buildings in order to reduce gas consumption. The Company also completed an energy/decarbonisation and water efficiency study with external consultants across all sites.

Airbus took action across its main sites to reduce the temperature in buildings to reduce gas consumption. The Broughton Combined Heat and Power Plant is also being downsized to more closely meet revised operational needs, which should also reduce gas consumption.

Airbus continues to participate in the Climate Change Agreement scheme, improving performance aligned to the commitments.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business, particulars of significant events which have occurred since the end of the financial year and an indication of the activities in the field of research and development have been included in the Strategic Report. Also included in the Strategic Report is disclosure on engagement with employees, suppliers and customers, corporate governance code and environmental matters.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

P McKinlay

Director

Pegasus House
Aerospace Avenue
Filton
Bristol
BS34 7PA

16 May 2023

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Airbus Operations Limited

Opinion

We have audited the financial statements of Airbus Operations Limited ("the company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard, as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

The Company is part of an inter-company process for the ultimate design and manufacture of commercial and military aircraft. As a result, the ability of the Company to continue as a going concern is based on the ability of the Airbus group to continue as a going concern. We used our knowledge of the Company and Airbus group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- The non-performance of key suppliers due to macroeconomic conditions or failure to meet increasing production rates.
- The timing of forecast aircraft deliveries by Airbus group and the associated cash flows from customers.

We also considered less predictable but realistic second order impacts, such as the ongoing economic effect of the Coronavirus pandemic and the impact on the industry, customer orders, and the supply chain.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by Airbus Group's financial forecasts

Independent auditor's report to the members of Airbus Operations Limited *(continued)*

Going concern *(continued)*

Our procedures included:

- Critically assessing the intention of Airbus group to continue to trade with the company by making inquiries of the directors and evaluating and challenging the economic rationale for Airbus group to continue to do so.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is wholly derived from recharging costs to a fellow group company and a share of group profits under contractual arrangements which management cannot control. As a result, neither the performance of the Company nor of management is measured based on revenue targets.

Independent auditor's report to the members of Airbus Operations Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement due to fraud (continued)

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unrelated accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions regulation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law and environmental law, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of Airbus Operations Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 30 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of Airbus Operations Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

J Long

Joseph Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE
16 May 2023

Profit and Loss Account
for year ended 31 December 2022

	Note	**2022 £m**	**£m**	2021 £m	£m
Turnover					
Continuing operations	*2*		**4,116**		3,256
Change in stocks of finished goods and work in progress		**(91)**		53	
Raw materials and consumables		**2,828**		2,089	
Other external expenses		**26**		28	
Staff costs	*4*	**538**		448	
Coronavirus Job Retention Scheme credit	*4*	**-**		(8)	
Exceptional cost - restructuring	*4*	**-**		(15)	
Depreciation and other amounts written off tangible and intangible fixed assets		**113**		123	
Reversal of impairment of tangible and intangible fixed assets		**(49)**		-	
Other operating expenses		**135**		168	
			(3,500)		(2,886)
Operating profit	*3*		**616**		370
Income from shares in group undertakings	*11*		**10**		
Other interest receivable and similar income	*6*		**3**		-
Interest payable and similar expenses	*7*		**(62)**		(22)
Profit before taxation			**567**		348
Tax on profit	*8*		**(128)**		25
Profit for the financial year			**439**		373

The notes on pages 40 to 63 form an integral part of the financial statements.

Other Comprehensive Income
for year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**439**	373
Other comprehensive income			
Remeasurement of the net defined benefit asset / liability	*18*	**797**	337
Income tax on other comprehensive income		**(199)**	(46)
Other comprehensive income for the year, net of income tax		**598**	291
Total comprehensive income for the year		**1,037**	664

The notes on pages 40 to 63 form an integral part of the financial statements.

Balance Sheet
at 31 December 2022

	Note	**2022**		2021	
		£m	**£m**	£m	£m
Fixed assets					
Intangible assets	*9*		**131**		109
Tangible assets	*10*		**911**		874
Investments	*11*		**264**		264
			1,306		1,247
Current assets					
Employee benefits	*18*	**342**		-	
Stocks	*12*	**601**		524	
Debtors (including £205m *(2021: £490m)* due after more than one year)	*13*	**1,542**		1,553	
		2,485		2,077	
Creditors: amounts falling due within one year	*14*	**(1,892)**		(1,884)	
Net current assets			**593**		193
Total assets less current liabilities			**1,899**		1,440
Provisions					
Other provisions	*17*	**(60)**		(40)	
Employee benefits	*18*	**-**		(598)	
			(60)		(638)
Net assets			**1,839**		802
Capital and reserves					
Called up share capital	*19*		**1,467**		1,467
Share premium account			**534**		534
Capital contribution reserve			**572**		572
Profit and loss account			**(734)**		(1,771)
Shareholders' funds			**1,839**		802

These financial statements were approved by the board of directors on 16 May 2023 and were signed on its behalf by:

P McKinlay
Director

Company registered number: 3468788

The notes on pages 40 to 63 form an integral part of the financial statements.

Statement of Changes in Equity

	Called up Share capital £m	Share Premium account £m	Capital contribution reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2021	1,467	534	572	(2,435)	138
Total comprehensive loss for the period					
Profit for the year	-	-	-	373	373
Other comprehensive expense	-	-	-	291	291
Balance at 31 December 2021	**1,467**	**534**	**572**	**(1,771)**	**802**

	Called up Share capital £m	Share Premium account £m	Capital contribution reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2022	1,467	534	572	(1,771)	802
Total comprehensive income for the period					
Profit for the year	-	-	-	439	439
Other comprehensive income	-	-	-	598	598
Balance at 31 December 2022	**1,467**	**534**	**572**	**(734)**	**1,839**

The notes on pages 40 to 63 form an integral part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Airbus Operations Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 3468788 and the registered address is Pegasus House, Aerospace Avenue, Filton, Bristol, UK, BS34 7PA.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1million.

The Company's ultimate parent undertaking, Airbus SE, includes the Company in its consolidated financial statements. The consolidated financial statements of Airbus SE are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Mendelweg 30, 2333 CS Leiden, The Netherlands. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Airbus SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss.

1.2 Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

As described further in 1.13 below, the Company is part of an inter-company process for the ultimate design and manufacture of commercial and military aircraft. As a result the ability of the Company to continue as a going concern is based on the ability of the Airbus group (the 'group') to continue as a going concern. The Company has a long-established expertise in relation to wings and associated equipment. This expertise and manufacturing capability is not available elsewhere in the group or externally to the group and could not realistically be replaced in the short to medium term.

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.2 Going concern (continued)

The group has prepared forecasts considering a severe but plausible downside scenario for gross risks identified in the group, which the Directors have reviewed, covering the period of at least 12 months, which indicate that the group will be able to continue to operate within the facilities in place.

Airbus group has significant liquidity available to cope with additional cash requirements. As of 31 December 2022, the group had a net cash position (being the sum of cash and cash equivalents and securities, minus financing liabilities and plus or minus interest rate contracts related to fair value hedges) of € 9.4 billion (2021: € 7.7 billion). In 2022 the group was able to generate free cash flow before mergers and acquisitions and customer financing of €4.7 billion (2021: €3.5 billion).

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

In accounting for its financial instruments, the Company applies the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU) and the presentation and disclosure requirements of FRS 102 Sections 11 and 12.

Non-derivative financial instruments comprise trade and other receivables, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Non-derivative financial instruments (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account for each period or production unit as relevant. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

Buildings – short leasehold	-	33 years, or the remaining lease term if shorter
Computing equipment, motor vehicles and short life works equipment	-	3 to 5 years
Other equipment	-	10 to 15 years, or the project life if shorter
A400M jigs and tools	-	over 170 production wing sets
A350 jigs and tools	-	over 1,200 production wing sets
Single Aisle Neo jigs and tools	-	over 2,400 production wing sets
A330neo jigs and tools	-	over 600 production wing sets

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Capitalised development costs are amortised over the estimated number of units expected to be produced. The estimated useful lives are as follows:

A350 development costs	-	over 1,200 production wing sets
Single Aisle Neo development costs	-	over 2,400 production wing sets
A330 Neo development costs	-	over 600 production wing sets

A400M development costs are not capitalised.

The cost of wing sets that are used on test aircraft in the A350, SA Neo and A330 Neo testing programmes that will be retained by Airbus for the life of the aircraft are included in intangible assets and amortised over 10 years. The cost of wing sets used on test aircraft that may be sold by Airbus are amortised over the flight test period to a residual value equal to the estimated sales proceeds.

The Company reviews the amortisation period when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.8 Government grants and Coronavirus Job Retention Scheme

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Monies received through the Government's Coronavirus Job Retention Scheme is recorded in operating profit/(loss).

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating units ("CGU") exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Employees of the Company are members of several pension schemes (defined contribution and defined benefit) operated by BAE Systems plc and Airbus Defence & Space Limited.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Employee benefits (continued)

Defined benefit plans (continued)

The discount rate is the yield at the balance sheet date on AA credit rated corporate bonds (excluding government backed bonds) denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Group Plans

Certain of the Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Airbus Defence and Space Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.12 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.13 Turnover

In Europe, Airbus's aircraft development and production are spread over four entities, Airbus Operations GmbH (Germany), Airbus Operations SAS (France), Airbus Operations Ltd (UK) and Airbus Operations SL (Spain). They are coordinated by Airbus S.A.S.

In 2004, a specific agreement ("Advanced Pricing Agreement" or "APA") was signed by the tax administrations of the four countries. This agreement includes the 'Common activities' executed by Airbus SAS and the four national entities, which includes the development, production and assembly of commercial passenger aircraft and freighters as well as support services for the in-service Airbus fleet. 'Common activities' costs are invoiced by the Company each month to Airbus SAS and recognised as turnover in that month. At the end of the year, the Company receives a share of the total 'Common activities' result from Airbus SAS, which is also recognised in turnover. The result is allocated to the companies concerned in accordance with their contributions to the industrial cost base using the "Industrial Key".

Transactions with third parties, primarily with public sector customers for military aviation products and the financial earnings, remain in the national entities as part of the "Specific Business". Both results are subject jointly to the national tax regulations.

The Airbus civil APA, which is in place since January 2004 and has been systematically renewed, has expired as at 31 December 2019. In accordance with the agreement, a renewal request for the period 2020 to 2024 has been filed with the four tax administrations in June 2019. There is currently no element identified which could prevent the renewal of this agreement for 2020, 2021 and 2022.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Turnover (continued)

Airbus Atlantic, a wholly-owned Airbus subsidiary, was officially established on 1 January 2022. This new entity does not call into question APA organisation as of today.

A specific transfer pricing agreement has been signed in 2013 by the four tax administrations for the development, production and sale of the military aircraft A400M to the company Airbus Military SL. The entities concerned are the same as for the commercial APA, except Airbus Operations SL, plus Airbus Defense and Space SAU and Airbus Defense and Space GmbH. Invoices are raised by the Company to Airbus SAS upon aircraft delivery to the end customer. The result is consolidated and shared by a Spanish entity, UTE (Union Temporal de Empresas), with reference to the A400M Industrial Key. Invoices are settled, incorporating the shared result, annually. This APA does not cover support and services activities related to A400M, which are accounted for on an accruals basis. The agreement is being renewed for the period 2020-2024. There is currently no element identified which could prevent the renewal of this agreement.

Turnover for activities outside the intercompany process are derived from the net value of deliveries made, work completed or services rendered during the period.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested, net foreign exchange gains and adjustments to recalculate amortised cost to reflect changes in expected cash flows.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

All turnover originated in the UK and relates to the Company's principal activities, namely the design and manufacture of wings and associated equipment for a range of commercial and military aircraft.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2022 **£m**	2021 £m
Government grants	**(20)**	(20)
Royalties payable to UK Government	**15**	14
Research and development expensed as incurred	**244**	202
Research and development expenditure tax credit	**(15)**	(18)

The above Government Grants represent UK Government and EC Research funding and Regional grants for training.

Auditor's remuneration:

	2022 **£000s**	2021 £000s
Audit of these financial statements	**613**	312
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit -related assurance services	**89**	68
	702	380

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of staff 2022	2021
Manufacturing	**3,850**	3,675
Engineering	**1,541**	1,448
Administration and support	**1,706**	1,856
	7,097	6,979

The aggregate payroll costs of these persons were as follows:

	2022 £m	2021 £m
Wages and salaries	**369**	306
Social security costs	**44**	31
Contributions to defined contribution plans	**53**	41
Expenses related to defined benefit plans (see note 18)	**72**	70
Total (excluding Coronavirus Job Retention Scheme credit and termination costs)	**538**	448

As a result of the impact of the global pandemic on the aviation industry and the consequent reduction in production rates, the Company had to use the Government's Job Retention Scheme in 2020 and 2021. Although this allowed resource adaptation measures to be avoided in the short term, the depth of the crisis was such that a comprehensive restructuring plan was required which commenced in 2020. In 2021 the restructuring plan continued to be enacted. A release of £15m was recorded in 2021 following finalisation of the measures required.

The credit recognised in relation to the Coronavirus Job Retention Scheme was as follows:

	2022 £m	2021 £m
Coronavirus Job Retention Scheme credit	**-**	(8)

The credit recognised in relation to the restructuring plan was as follows:

	2022 £m	2021 £m
Termination costs including social security and pensions	**-**	(15)

Notes *(continued)*

5 Directors' remuneration

	2022	2021
	£000	£000
Directors' remuneration	**174**	315
Amounts receivable under long term incentive schemes	**14**	33
Company contributions to pension plans	**86**	37
Compensation for loss of office	**266**	-
	540	385

The above amounts represent the amounts attributable to services provided to the Company by the directors in respect of their activities for the Company paid by the Company or fellow group Company.

The above disclosure represents the remuneration for three directors (*2021: two directors*) in respect of their activities for the Company. The remuneration of the other directors in relation to their activities as board members is incidental compared to their other activities within the group and is not recharged to the Company.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in relation to their activities for the Company was £309,482 (including compensation for loss of office) (*2021: £226,823*), and company pension contributions were made on their behalf of £68,225 (*2021: £14,758*).

Two directors are accruing benefits under a defined benefit scheme as part of remuneration for services provided to the Company.

6 Other interest receivable and similar income

	2022 £m	2021 £m
Net gain on financial liabilities measured at fair value through profit or loss (excluding derivatives used in hedging relationships)	**3**	-
Total interest receivable and similar income	**3**	-

7 Interest payable and similar expenses

	2022 £m	2021 £m
On funding accounts with Airbus SE	**17**	4
Net foreign exchange loss	**44**	7
Net loss on financial liabilities measured at fair value through profit or loss (excluding derivatives used in hedging relationships)	**-**	11
Other interest	**1**	-
Total other interest payable and similar expenses	**62**	22

Notes *(continued)*

8 Taxation

Total tax expense/(credit) recognised in the profit and loss account, other comprehensive income and equity

	2022 £m	£m	2021 £m	£m
Current tax				
Current tax on income for the period	**30**		4	
Adjustments in respect of prior periods	**(1)**		(17)	
Total current tax		**29**		(13)
Deferred tax (see note 16)				
Origination and reversal of timing differences	**292**		174	
Adjustments in respect of previous years	**3**		13	
Impact of change in tax rate	**3**		(153)	
Total deferred tax		**298**		34
Total tax expense/(credit)		**327**		21

	2022 £m Current tax	2022 £m Deferred tax	2022 £m Total tax	2021 £m Current tax	2021 £m Deferred tax	2021 £m Total tax
Recognised in Profit and loss account	**29**	**99**	**128**	(13)	(12)	(25)
Recognised in other comprehensive income	**-**	**199**	**199**	-	46	46
Total tax	**29**	**298**	**327**	(13)	34	21

Reconciliation of effective tax rate

	2022 £m	2021 £m
Profit for the year	**439**	373
Total tax charge/(credit)	**128**	(25)
Profit excluding taxation	**567**	348
Tax using the UK corporation tax rate of 19% (2021 19%)	**108**	66
Impact of change in tax rate on deferred tax balances	**10**	(86)
Non-deductible expenses	**3**	6
Adjustments in respect of previous years	**7**	(11)
Total tax credit included in profit or loss	**128**	(25)

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future tax charge accordingly. The deferred tax asset at 31 December 2022 has been recognized partially at 19% and partially at 25%, dependent on its forecast utilisation.

Notes *(continued)*

9 Intangible assets

	Development costs £m
Cost	
Balance at 1 January 2022	772
Other acquisitions – internally developed	43
Balance at 31 December 2022	815
Amortisation and impairment	
Balance at 1 January 2022	663
Amortisation for the year	21
Balance at 31 December 2022	684
Net book value	
At 1 January 2022	109
At 31 December 2022	**131**

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with FRS 102 Section 18.

Development costs relate to A350, Single Aisle ("SA") Neo, SA XLR and A330 Neo research and development expenditure, including wingsets that are used as test aircraft. No costs have been capitalised on A400M since they do not meet the criteria for capitalisation. 'Transfer to WIP' occurs when flight test aircraft are expected to be sold.

Amortisation of A350 research and development expenditure commenced in 2014 and it is straight line over 1,200 aircraft which reach Station 50 (the date when the forward, centre and aft fuselage sections are joined). As at the end of 2022, 559 A350 wing sets had reached Station 50.

Amortisation of SA Neo research and development expenditure commenced in 2015 and it is straight line over 2,400 aircraft which reach Station 40 (the date when the aircraft starts the integration of the fuselage with the wing). During 2022, the 2,400th SA Neo wing sets reached Station 40 and therefore the SA Neo development costs have been fully amortised.

Amortisation of A330 Neo research and development expenditure commenced in 2016 and it is straight line over 600 aircraft which reach Station 40 (the date when the aircraft starts the integration of the fuselage with the wing). As at the end of 2022, 115 A330 Neo wing sets had reached Station 40.

Amortisation of wingsets that are used on test aircraft commenced on the date of the aircraft's first flight.

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £m	Plant and Equipment £m	Jigs & tools £m	Under construction £m	Total £m
Cost					
Balance at 1 January 2022	560	642	1,142	106	2,450
Additions	-	3	-	77	80
Transfers	5	38	27	(70)	-
Disposals	-	(2)	-	-	(2)
Balance at 31 December 2022	565	681	1,169	113	2,528
Depreciation and impairment					
Balance at 1 January 2022	315	588	673	-	1,576
Depreciation charge for the year	15	29	48	-	92
Disposals	-	(2)	-	-	(2)
Reversal of impairment losses	(49)	-	-	-	(49)
Balance at 31 December 2022	281	615	721	-	1,617
Net book value					
At 1 January 2022	245	54	469	106	874
At 31 December 2022	**284**	**66**	**448**	**113**	**911**

Reversal of impairment losses

An impairment reversal of £49m was booked in 2022. The original impairment was booked in 2018 following the decision to cease production of the A380 and the consequent impact on facilities utilisation. During 2022, alternative uses were identified for certain impaired buildings and the impairment reversal was booked as a result.

Tangible fixed assets under construction

The amount of borrowing costs capitalised during the period was £nil (2021: £nil).

Included in the cost of tangible fixed assets is £2m (2021: £2m) in respect of capitalised finance costs.

Land and Buildings

The net book value of land and buildings comprises:

	2022 £m	2021 £m
Freehold	**75**	70
Short leasehold	**209**	175
	284	245

Notes *(continued)*

11 Fixed asset investments

Investments in subsidiary companies – cost and net book value	
Balance at 1 January 2022 and 31 December 2022	**264**

The Company has the following fixed asset investments, with a total carrying value of £263,944,459 (2021: £263,944,459).

	Address of registered office	**Class of shares held**	**Ownership 2022 %**	**Ownership 2021 %**
Subsidiary Undertakings				
Airbus Filton Limited	Pegasus House, Aerospace Avenue, Filton, Bristol, BS34 7AR, England	Ordinary	100	100
Airbus Real Estate UK Limited (formerly Airbus UK Limited)	Pegasus House, Aerospace Avenue, Filton, Bristol, BS34 7AR, England	Ordinary	100	100

During the year the Company received dividends totalling £10,412,981 from Airbus Real Estate UK Limited (formerly Airbus UK Limited) (2021: nil).

12 Stocks

	2022 £m	2021 £m
Raw materials and consumables	**371**	267
Work in progress	**67**	56
Finished goods	**75**	99
Payments on account	**88**	102
	601	524

Notes *(continued)*

13 Debtors

	2022 £m	2021 £m
Trade debtors	**32**	24
Amounts owed by group undertakings	**1,156**	886
Other debtors including taxation	**112**	105
Deferred tax assets (see note 16)	**225**	523
Prepayments and accrued income	**13**	14
Other financial assets (see note 15)	**4**	1
	1,542	1,553
Due within one year	**1,337**	1,063
Due after more than one year	**205**	490
	1,542	1,553

The balance due after more than one year comprises deferred tax assets of £196m *(2021: £478m)* and prepayments and accrued income of £9m *(2021: £12m)*.

14 Creditors: amounts falling due within one year

	2022 £m	2021 £m
Trade creditors	**519**	619
Amounts owed to group undertakings	**1,205**	1,109
Other creditors including social security	**52**	46
Accruals	**57**	41
Deferred income	**59**	69
	1,892	1,884

Included in amounts owed to group undertakings is £1,170m *(2021: £1,013m)* which relates to Airbus SE. The balance is repayable on demand and attracts interest at the Bank of England base rate + 0.55% (2021: *GBP LIBOR + 0.3%*).

Deferred income includes advanced payments made by the UK Government in relation to the A400M programme. This is released to the profit and loss account in line with A400M aircraft deliveries to customers.

Notes *(continued)*

15 Other financial assets and liabilities

This note provides information about the Company's other financial assets and liabilities, which are measured at amortised cost or fair value through profit or loss.

	2022	2021
	£m	£m
Amounts falling due within one year		
Financial assets/(liabilities) designated as fair value through profit or loss	**4**	1

Financial liabilities designated as fair value through profit or loss

Embedded derivatives – the Company enters into certain transactions in US dollars in order to provide a natural hedge for the group's end sale of aircraft and services in US dollars. Where US dollar is the functional currency of neither contracting party, this gives rise to an embedded derivative.

The basis for assessing fair value of the above derivatives is disclosed in note 20 (b).

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2022	2021	**2022**	2021	**2022**	2021
	£m	£m	**£m**	£m	**£m**	£m
Accelerated capital allowances	**(3)**	(33)	**-**	-	**(3)**	(33)
Employee benefits	**-**	(151)	**61**	-	**61**	(151)
Temporary differences on Airbus result	**(80)**	(96)	**-**	-	**(80)**	(96)
Unused tax losses	**(194)**	(229)	**-**	-	**(194)**	(229)
Other	**(9)**	(14)	**-**	-	**(9)**	(14)
Tax (assets) / liabilities	**(286)**	(523)	**61**	-	**(225)**	(523)

As at 31 December 2022, £29m of the net deferred tax asset was expected to be utilised within one year.

Notes *(continued)*

17 Provisions

	Supplier claims £m	Other provisions £m	Total £m
Balance at 1 January 2022	27	13	40
Provisions made during the year	38	-	38
Provisions used during the year	(15)	(1)	(16)
Provisions released during the year	(2)	-	(2)
Balance at 31 December 2022	**48**	**12**	**60**

Supplier claims generally arise when there is a change in specification resulting in additional costs being incurred by the supplier. The provision is based on the Company's best estimate of the likely settlement value and is expected to be utilised within one year.

Other provisions includes a provision booked in relation to A380 Jigs and Tools decommissioning costs. This provision is expected to be utilised within one year.

Accounting estimates and judgements are discussed further in note 25.

18 Employee benefits

Group plans

As explained in note 1.11, the Company's employees are members of a group wide defined benefit pension plan. The net defined benefit liability is recognised fully by Airbus Defence and Space Limited, another member of the group. The Company then recognises a cost equal to its contribution payable for the period.

The Scheme is a registered pension scheme under the Finance Act 2004. The Trustees' 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 new joiners, who participate in a separate defined contribution plan.

Multi-employer plans (BAE Systems)

The Company participates in several funded trustee-administered pension plans for both executive and non-executive employees with BAE Systems being the principal employer. Participating Company 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 UK pensions legislation enacted in April 2006.

Notes *(continued)*

18 Employee benefits *(continued)*

Multi-employer plans (BAE Systems)

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. Though 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. The deficit of the Main Scheme was allocated between BAE Systems and the Company based in principle on each member's last employer, which was done in December 2015.

The other schemes qualify as multi-employer defined benefit pension plans but are accounted for as if they were defined contribution schemes. This is on the grounds that there is insufficient information to appropriately and reliably estimate the share of the Company's participation in the schemes, i.e. its share in plan assets, defined benefit obligation ("DBO"), and pension costs.

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 participates are currently underfunded. The Company (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.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension surplus/(liability)

	2022 **£m**
Defined benefit obligation	**(2,454)**
Plan assets	**2,796**
Net pension surplus/(liability)	**342**

Having received legal advice, management has concluded that it is appropriate to recognise the pension surplus on that grounds that the Company, as the principal employer, has an unconditional right to a refund of surplus.

Notes *(continued)*

18 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2022
	£m
At 1 January 2022	**(3,864)**
Current service cost	**(61)**
Interest expense	**(72)**
Remeasurement: actuarial gains/(losses)	**1,440**
Contributions by members	**(1)**
Benefits paid	**104**
At 31 December 2022	**(2,454)**

Movements in fair value of plan assets

	2022
	£m
At 1 January 2022	**3,266**
Interest income	**61**
Remeasurement: return on plan assets less interest income	**(644)**
Contributions by employer	**216**
Contributions by members	**1**
Benefits paid	**(104)**
At 31 December 2022	**2,796**

Expense recognised in the profit and loss account

	2022	2021
	£m	£m
Current service cost	**61**	55
Net interest on net defined benefit asset / liability	**11**	15
Total expense recognised in profit or loss (see note 4)	**72**	70

Notes *(continued)*

18 Employee benefits *(continued)*

The fair value of the plan assets was as follows:

	2022 Fair value £m	2021 Fair value £m
Equities	**435**	852
Government debt	**496**	348
Corporate bonds	**663**	808
Property	**223**	269
Other	**979**	989
	2,796	3,266

The strategic asset allocation of the plans takes into account the characteristics of the underlying obligations. Investments are widely diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2022 consists of fixed income and equity instruments, although the Company also invests in property, commodities and hedge funds. The Company reassesses the characteristics of the pension obligations from time to time or as required by the applicable regulation or governance framework. This typically triggers a subsequent review of the strategic asset allocation.

Risks

The defined benefit obligation 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 defined benefit liability increases accordingly. Moreover, the market values of the plan assets are subject to volatility, which also impacts the net liability.

Interest rate risk – The level of the defined benefit obligation is significantly impacted by the applied discount rate. Low interest rates lead to a relatively high net pension liability. If the decline in returns of corporate bonds will continue, the defined benefit obligation 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 the pension plans are directly related to salaries, increases in compensations could result in increasing pension obligations.

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.

Principal actuarial assumptions at the year end were as follows:

	2022 %	2021 %
Discount rate	**5.0**	1.9
Future salary increases	**3.4**	3.1
Rate of pension payment increase	**3.1**	3.1
Inflation rate (RPI)	**3.3**	3.2
Inflation rate (CPI)	**2.6**	2.6

Notes *(continued)*

18 Employee benefits *(continued)*

The valuation assumptions used for the disclosures are broadly in line with those used for the final actuarial valuation results as of 31 March 2020 undertaken by independent qualified actuaries as updated to assess the obligation and plan asset at 31 December each year.

For there year ended 31 December 2022 there has been a change in accounting estimate following a change in methodology in determining two assumptions. Combined increases to the RPI assumption (due to a reduced inflation risk premium adjustment) and salary assumptions, increase the defined benefit obligation by approximately £45m.

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made for the Main Scheme based on various mortality tables with varying scalings.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables calculated using scheme specific Club Vita curves and include an allowance for future improvements in longevity. The future improvements in longevity have been updated to reflect the CMI 2021 projection model, with a long-term rate of improvement of 1.25%, a smoothing parameter of 7 and initial addition of 0.25% p.a..

The Company has not updated the mortality assumption as at 31 December 2021 to reflect the potential effects of COVID-19 on the grounds that there remains uncertainty of the COVID-19 impact on long term mortality rates for pension scheme members. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

• Member currently aged 65: 21.5 years (male), 23.7 years (female).

• Member currently aged 45: 22.8 years (male), 25.2 years (female).

Membership data is based on the dataset as at 31 March 2022, updated for mortality and salary increase assumptions, as set out above.

Following the 31 March 2020 actuarial valuation, the Company is required to make certain contributions towards the funding shortfall. This included a lump sum payment of £173m in 2022 and a further payment of £43m in 2023.

Defined contribution plans

The Company participates in a number of defined contribution pension plans. The total expense relating to these plans in the current year was £9m *(2021: £7m)*.

A further expense of £44m (*2021: £34m*) has been recognised in relation to group defined benefit plans, accounted for as defined contribution plans.

19 Capital and reserves

	2022 **£m**	2021 £m
Allotted, called up and fully paid		
1,467,301,548 ordinary shares of £1 each	**1,467**	1,467

The holders of ordinary shares are entitled to receive dividends as declared from time to time.

Notes *(continued)*

20 Financial instruments

20 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2022	2021
	£m	£m
Trade debtors	**32**	24
Amounts owed by group undertakings	**1,156**	886
Other debtors including taxation	**112**	105
Prepayments and accrued income	**13**	14
Assets measured at fair value through profit or loss	**4**	1
Trade creditors	**(519)**	(619)
Amounts owed to group undertakings	**(1,203)**	(1,109)
Other creditors including social security	**(52)**	(46)
Accruals and deferred income	**(116)**	(110)

20 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of embedded derivatives is determined by the exchange rate prevailing at the date the relevant contract was entered into compared to the rate prevailing at the year end.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£m	£m
Less than one year	**27**	26
Between one and five years	**33**	58
More than five years	**1**	1
	61	85

During the year £27m was recognised as an expense in the profit and loss account in respect of operating leases *(2021: £28m)*.

22 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £76m *(2021: £27m)*.

Notes *(continued)*

23 Related parties

As at 31 December 2022, there are no transactions and outstanding balances with non-wholly owned subsidiaries of Airbus SE or other related parties.

In accordance with FRS 102.33.1A disclosure of transactions with other wholly owned subsidiaries of Airbus SE are not required to be disclosed.

24 Ultimate parent Company and parent Company of larger group

The Company is a subsidiary undertaking of Airbus Operations SAS. The ultimate controlling party is Airbus SE.

The largest group in which the results of the Company are consolidated is that headed by Airbus SE, whose registered address is PO Box 32008, 2303 DA Leiden, The Netherlands. The smallest group in which they are consolidated is that headed by Airbus SAS, whose registered address is 2 Rond-point Emile Dewoitine, 31700, Blagnac, France. The consolidated financial statements of Airbus SE are available to the public and may be obtained from PO Box 32008, 2303 DA Leiden, The Netherlands.

25 Accounting estimates and judgements

The Company's significant accounting policies, as described in note 1, are essential for the understanding of the Company's results of operations and financial position. Certain of these accounting policies require accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Judgments have to be made in particular when assessing provisions and contingent liabilities for litigations and claims. Accounting estimates could change from period to period and might have a material impact on the Company's results of operations and financial positions.

The assumptions and estimates used by the Company's management are based on parameters which are derived from the knowledge at the time of preparing the financial statements. In particular, the circumstances prevailing at this time and assumptions as to the expected future development of the global and industry specific environment were used to estimate the Company's future business performance. Where these conditions develop differently than assumed, and beyond the control of the Company, the actual figures may differ from those anticipated. In such cases, the assumptions, and if necessary, the carrying amounts of the assets and liabilities concerned, are adjusted accordingly.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Subjects that involve assumptions and estimates and that have a significant influence on the amounts recognised in the financial statements are further described or are disclosed in the respective notes mentioned below.

Employee benefits (Defined Benefit Obligation) — The Company accounts for certain 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. These factors include key actuarial assumptions including the discount rate, expected inflation and mortality rates. The actuarial assumptions, which are disclosed in Note 18 Employee Benefits, are based on management's best estimates of current and future conditions, incorporating advice from specialist advisors. The application of these assumptions results in a valuation of the Defined Benefit Obligation of £2,454m (*2021: £3,864m*) at 31 December 2022. 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. Further detail on the assumptions adopted at 31 December 2022 are provided in Note 18 Employee Benefits.

Notes *(continued)*

25 Accounting estimates and judgements *(continued)*

Employee benefits (Plan Assets) — Pension assets, totalling £2,796m at 31 December 2022, are held in a diversified range of assets. The breakdown of asset value by category of asset is provided in Note 18 Employee Benefits. Many of these assets have readily-available market values and are therefore able to be valued without significant estimate or judgement. However, there are assets where the year-end balance is based on lagged valuations and is subject to significant levels of estimation uncertainty. These assets include:

- Property assets of £223m (*2021: £269m*), the valuation of which involves the estimation of key assumptions including occupancy and rental yields. The valuations are made using third party experts in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards.
- Infrastructure and alternative investments of £979m (*2021: £989m*) which are categorised as Other assets and Private equity investments of £279m (*2021: £266m*) which are included in Equities. The fair value is based on valuations obtained from third parties which employ a variety of methods the most prevalent being net asset valuation which involves a higher degree of estimation and subjectivity than a market price.

26 Post Balance Sheet Events

As explained in the Strategic Report on pages 1 to 25, there has been a non-adjusting subsequent events which warrants disclosure in these statutory accounts. The subsequent event disclosed is:

- Settlement agreement with Qatar Airways