Airbus SE
Unaudited Condensed Interim
IFRS Consolidated Financial Information
for the nine-month period ended 30 September 2018

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Unaudited Condensed Interim
IFRS Consolidated Financial Statements

Unaudited Condensed Interim
IFRS Consolidated Income Statement

(In € million)	Note	**1 January - 30 September 2018**	1 January - 30 September 2017	**1 July - 30 September 2018**	1 July - 30 September 2017
Revenue (1)	**6**	**40,421**	**38,007**	**15,451**	**12,832**
Cost of sales (1)		(34,357)	(33,707)	(12,627)	(11,317)
Gross margin (1)	**6**	**6,064**	**4,300**	**2,824**	**1,515**
Selling expenses		(622)	(639)	(211)	(177)
Administrative expenses		(1,093)	(1,206)	(410)	(406)
Research and development expenses		(2,103)	(1,918)	(700)	(630)
Other income	6	352	916	42	129
Other expenses		(78)	(78)	(35)	(18)
Share of profit from investments accounted for under the equity method (1)		120	197	39	48
Other income from investments		43	101	14	1
Profit before financial result and income taxes (1)	**6**	**2,683**	**1,673**	**1,563**	**462**
Interest income		144	134	57	53
Interest expense		(367)	(385)	(168)	(134)
Other financial result (1)		(190)	352	1	110
Total financial result (1)	7	(413)	101	(110)	29
Income taxes (1)	8	(824)	(376)	(500)	(184)
Profit for the period (1)		**1,446**	**1,398**	**953**	**307**
Attributable to:					
Equity owners of the parent (Net income) (1)		1,453	1,398	957	307
Non-controlling interests		(7)	0	(4)	0
Earnings per share		**€**	**€**	**€**	**€**
Basic (1)	9	1.88	1.81	1.23	0.40
Diluted (1)	9	1.87	1.80	1.23	0.40

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

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

Unaudited Condensed Interim IFRS Consolidated Statement of Comprehensive Income

(In € million)	**1 January - 30 September 2018**	1 January - 30 September 2017	**1 July - 30 September 2018**	1 July - 30 September 2017
Profit for the period [1]	**1,446**	**1,398**	**953**	**307**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension plans	15	314	19	(48)
Change in fair value of assets [2]	(208)	0	(119)	0
Share of change from investments accounted for under the equity method	42	11	34	6
Income tax relating to items that will not be reclassified	(37)	(92)	(43)	21
Items that may be reclassified to profit or loss:				
Foreign currency translation differences for foreign operations	34	(404)	6	(90)
Change in fair value of cash flow hedges	(1,811)	9,342	(652)	2,596
Change in fair value of assets [2]	(111)	350	(44)	221
Share of change from investments accounted for under the equity method	(10)	(21)	(4)	(8)
Income tax relating to items that may be reclassified	476	(2,546)	173	(592)
Other comprehensive income, net of tax	**(1,610)**	**6,954**	**(630)**	**2,106**
Total comprehensive income for the period [1]	**(164)**	**8,352**	**323**	**2,413**
Attributable to:				
Equity owners of the parent [1]	(151)	8,320	327	2,406
Non-controlling interests	(13)	32	(4)	7

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

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

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

Unaudited Condensed Interim IFRS Consolidated Statement of Financial Position

(In € million)	Note	**30 September 2018**	31 December 2017
Assets			
Non-current assets			
Intangible assets	10	16,988	11,629
Property, plant and equipment	10	16,659	16,610
Investment property		3	3
Investments accounted for under the equity method (1)	11	1,540	1,617
Other investments and other long-term financial assets	12	4,228	4,204
Non-current contract assets (1)	14	4	1
Non-current other financial assets	16	1,718	2,980
Non-current other assets (1)	17	1,023	975
Deferred tax assets (1)		5,043	4,563
Non-current securities		10,321	10,944
Total non-current assets (1)		**57,527**	**53,526**
Current assets			
Inventories (1)	13	35,052	29,737
Trade receivables (1)	14	5,530	5,487
Current portion of other long-term financial assets		562	529
Current contract assets (1)	14	2,421	2,120
Current other financial assets	16	1,807	1,979
Current other assets (1)	17	4,171	2,937
Current tax assets		937	914
Current securities		2,401	1,627
Cash and cash equivalents	19	5,603	12,016
Total current assets (1)		**58,484**	**57,346**
Assets and disposal group of assets classified as held for sale	3	35	202
Total assets (1)		**116,046**	**111,074**

(In € million)	Note	**30 September 2018**	31 December 2017
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		776	775
Reserves (1)		7,865	7,225
Accumulated other comprehensive income		944	2,742
Treasury shares		(54)	(2)
Total equity attributable to equity owners of the parent (1)		**9,531**	**10,740**
Non-controlling interests		(5)	2
Total equity (1)	**18**	**9,526**	**10,742**
Liabilities			
Non-current liabilities			
Non-current provisions (1)	15	11,547	9,779
Long-term financing liabilities	19	7,500	8,984
Non-current contract liabilities (1)	14	14,684	15,353
Non-current other financial liabilities (1)	16	9,516	6,704
Non-current other liabilities (1)	17	289	298
Deferred tax liabilities (1)		1,321	1,002
Non-current deferred income (1)		53	42
Total non-current liabilities (1)		**44,910**	**42,162**
Current liabilities			
Current provisions (1)	15	5,510	6,272
Short-term financing liabilities (1)	19	3,638	2,213
Trade liabilities (1)		13,526	13,406
Current contract liabilities (1)	14	29,201	28,227
Current other financial liabilities (1)	16	2,500	2,050
Current other liabilities (1)	17	5,192	3,909
Current tax liabilities		1,447	1,481
Current deferred income (1)		596	506
Total current liabilities (1)		**61,610**	**58,064**
Disposal group of liabilities classified as held for sale		0	106
Total liabilities (1)		**106,520**	**100,332**
Total equity and liabilities (1)		**116,046**	**111,074**

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

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

Unaudited Condensed Interim IFRS Consolidated Statement of Cash Flows

(In € million)	Note	**1 January - 30 September 2018**	1 January - 30 September 2017
Operating activities:			
Profit for the period attributable to equity owners of the parent (Net income) [(1)]		1,453	1,398
Loss for the period attributable to non-controlling interests		(7)	0
Adjustments to reconcile profit for the period to cash provided by operating activities:			
Depreciation and amortisation		1,684	1,603
Valuation adjustments [(1)]		(7)	(260)
Deferred tax expense (income) [(1)]		357	(145)
Change in income tax assets, income tax liabilities and provisions for income tax		(54)	383
Results on disposals of non-current assets		(228)	(770)
Results of investments accounted for under the equity method		(120)	(197)
Change in current and non-current provisions [(1)]		(565)	(60)
Contribution to plan assets		(1,152)	(171)
Change in other operating assets and liabilities [(1)]		(5,687)	(4,400)
Cash (used for) operating activities [(1) (2)]		**(4,326)**	**(2,619)**
Investing activities:			
Purchases of intangible assets, property, plant and equipment and investment property		(1,378)	(1,655)
Proceeds from disposals of intangible assets, property, plant and equipment and investment property		171	113
Acquisitions of subsidiaries, joint ventures, businesses and non-controlling interests (net of cash)	3	107	0
Proceeds from disposals of subsidiaries (net of cash)		0	740
Payments for investments accounted for under the equity method, other investments and other long-term financial assets		(444)	(633)
Proceeds from disposals of investments accounted for under the equity method, other investments and other long-term financial assets		353	479
Dividends paid by companies valued at equity		50	20
Disposals of non-current assets and disposal groups classified as assets held for sale and liabilities directly associated		207	0
Change in securities		(17)	(39)
Cash (used for) investing activities		**(951)**	**(975)**
Financing activities:			
Change in financing liabilities		(35)	1,549
Cash distribution to Airbus SE shareholders		(1,161)	(1,043)
Dividends paid to non-controlling interests		0	(4)
Changes in capital and non-controlling interests		112	79
Change in treasury shares		(52)	0
Cash (used for) provided by financing activities		**(1,136)**	**581**
Effect of foreign exchange rate changes on cash and cash equivalents		(5)	(305)
Net decrease in cash and cash equivalents		**(6,418)**	**(3,318)**
Cash and cash equivalents at beginning of period [(3)]		**12,021**	**10,160**
Cash and cash equivalents at end of period		**5,603**	**6,842**
thereof presented as cash and cash equivalents		*5,603*	*6,592*
thereof presented as part of disposal groups classified as held for sale		*0*	*250*

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

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

(3) The cash and cash equivalents at the beginning of the period 2018 include € 5 million, which is presented as part of assets of disposal groups classified as held for sale.

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

Unaudited Condensed Interim IFRS Consolidated Statement of Changes in Equity

(In € million)	Equity attributable to equity owners of the parent	Non-controlling interests	Total Equity
Balance at 1 January 2017, as reported	**3,657**	**(5)**	**3,652**
Restatements (1)	(2,088)	0	(2,088)
Balance at 1 January 2017, restated (1)	**1,569**	**(5)**	**1,564**
Profit for the period (1)	1,398	0	1,398
Other comprehensive income	6,922	32	6,954
Total comprehensive income for the period (1)	8,320	32	8,352
Cash distribution to shareholders / Dividends paid to non-controlling interests	(1,043)	(4)	(1,047)
Capital increase	79	0	79
Share-based payment (IFRS 2)	33	0	33
Equity transaction (IAS 27)	0	(23)	(23)
Balance at 30 September 2017, restated	**8,958**	**0**	**8,958**
Balance at 1 January 2018, as reported	**13,348**	**3**	**13,351**
Restatements (1) (2)	(2,616)	(1)	(2,617)
Balance at 1 January 2018, restated (1) (2)	**10,732**	**2**	**10,734**
Profit for the period	1,453	(7)	1,446
Other comprehensive income	(1,604)	(6)	(1,610)
Total comprehensive income for the period	(151)	(13)	(164)
Cash distribution to shareholders / dividends to non-controlling interests	(1,161)	0	(1,161)
Capital increase	112	0	112
Share-based payment (IFRS 2)	57	0	57
Equity transaction (IAS 27)	(6)	6	0
Change in treasury shares	(52)	0	(52)
Balance at 30 September 2018	**9,531**	**(5)**	**9,526**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Opening balance figures are restated due to the application of IFRS 9.

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

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Notes to the Airbus SE Unaudited Condensed Interim IFRS Consolidated Financial Statements

1. The Company

The accompanying Unaudited Condensed Interim IFRS Consolidated Financial Statements present the financial position and the results of operations of **Airbus SE** and its subsidiaries, a European public limited-liability company (*Societas Europaea*) with its seat (*statutaire zetel*) in Amsterdam, The Netherlands, its registered address at Mendelweg 30, 2333 CS Leiden, The Netherlands, and registered with the Dutch Commercial Register (Handelsregister) under number 24288945. The Company reportable segments are Airbus, Airbus Helicopters and Airbus Defence and Space (see "– Note 5: Segment Information"). The Company is listed on the European stock exchanges in Paris, Frankfurt am Main, Madrid, Barcelona, Valencia and Bilbao. The Unaudited Condensed Interim IFRS Consolidated Financial Statements were authorised for issue by the Company's Board of Directors on 30 October 2018.

2. Accounting Policies

The Unaudited Condensed Interim Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as endorsed by the European Union ("EU") as at 30 September 2018. They are prepared and reported in euro ("€") and all values are rounded to the nearest million appropriately. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

These Unaudited Condensed Interim IFRS Consolidated Financial Statements are prepared in compliance with IAS 34 and should be read in conjunction with the IFRS Consolidated Financial Statements as of 31 December 2017. With the exception of the changes highlighted below and applied for the first time in the nine-month period ended 30 September 2018, the Company's accounting policies and methods are unchanged compared to 31 December 2017.

The Company has implemented the new standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" on 1 January 2018. As a result, the Company has changed its accounting policy for revenue recognition and for the accounting of financial instruments as detailed below.

The implementation of other amended standards and new interpretation has no material impact on the Unaudited Condensed Interim IFRS Consolidated Financial Statements as of 30 September 2018.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 which establishes a single comprehensive framework for determining when to recognise revenue and how much revenue to recognise. IFRS 15 replaced the former revenue recognition standards IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of control of the promised goods and/or services (performance obligations) in an amount that reflects the consideration to which that entity is entitled.

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

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

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

The Company will use the practical expedient applicable to the disclosure on the amount of the transaction price allocated to the remaining performance obligations (*i.e.* backlog) and an explanation of when it expects to recognize the amount as revenue. This information will be disclosed as at 31 December 2018 without comparative information.

The Company revised its accounting policies relative to revenue recognition, to implement IFRS 15 "Revenue from contracts with customers" as follows.

Revenue recognition

The Company recognises revenue when it transfers the control of the promised goods and services to the customer. The Company measures revenue, for the consideration to which the Company is expected to be entitled in exchange for transferring promised goods or services. Variable considerations are included in the transaction price when it is highly probable that there will be no significant reversal of the revenue in the future. The Company identifies the various performance obligations of the contract and allocates the transaction price to these performance obligations.

Advances and pre-delivery payments (contract liabilities) are normal and not considered a significant financing component as they are intended to protect the Company from the customer failing to complete its obligations under the contract.

Revenue from the sale of commercial aircraft

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

Revenue from the sale of military aircraft, space systems and services

When the control of the produced good and rendered services is transferred over time to the customer, revenue is recognised over time (*i.e.* under the percentage of completion method).

The Company transfers control over time when:

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

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

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

The most significant changes result from the following:

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

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

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

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

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

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

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

Condensed IFRS Consolidated Statements of Financial Position as at 31 December 2017

(In € million)	As previously reported	IFRS 15	As restated
Non-current assets			
Intangible assets	11,629	0	11,629
Property, plant and equipment	16,610	0	16,610
Investments accounted for under the equity method	1,678	(61)	1,617
Non-current contract assets	0	1	1
Non-current other assets	24,024	(355)	23,669
Total non-current assets	**53,941**	**(415)**	**53,526**
Current assets		**0**	
Inventories	31,464	(1,727)	29,737
Trade receivables	8,358	(2,871)	5,487
Current contract assets	0	2,120	2,120
Current other assets	8,158	30	8,188
Cash and cash equivalents	12,016	0	12,016
Total current assets	**59,996**	**(2,448)**	**57,548**
Total assets	**113,937**	**(2,863)**	**111,074**
Equity and liabilities			
Total equity	13,351	(2,609)	10,742
Liabilities			
Non-current liabilities			
Non-current provisions	10,153	(374)	9,779
Non-current contract liabilities	0	15,353	15,353
Non-current other liabilities	34,302	(17,272)	17,030
Total non-current liabilities	**44,455**	**(2,293)**	**42,162**
Current liabilities			
Current provisions	6,575	(303)	6,272
Trade liabilities	13,444	(38)	13,406
Current contract liabilities	0	28,227	28,227
Current other liabilities	36,112	(25,847)	10,265
Total current liabilities	**56,131**	**2,039**	**58,170**
Total liabilities	**100,586**	**(254)**	**100,332**
Total equity and liabilities	**113,937**	**(2,863)**	**111,074**

Condensed IFRS Consolidated Income Statements for the nine-month period ended 30 September 2017

(In € million)	As previously reported	IFRS 15	As restated
Revenue	**42,953**	**(4,946)**	**38,007**
Cost of sales	(38,015)	4,308	(33,707)
Gross margin	**4,938**	**(638)**	**4,300**
Selling, administrative and other expenses	(1,923)	0	(1,923)
Research and development expenses	(1,918)	0	(1,918)
Other income	916	0	916
Share of profit from investments accounted for under the equity method and other income from investment	299	(1)	298
Profit before financial result and income taxes (EBIT)	**2,312**	**(639)**	**1,673**
Total financial result	92	9	101
Income taxes	(553)	177	(376)
Profit for the period	**1,851**	**(453)**	**1,398**

IFRS 9 “Financial Instruments”

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

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

Classification and Measurement

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

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

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

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

Financial assets at fair value through other comprehensive income — This category comprises:

(i) Equity investments that are not held for trading. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) are recognised in other comprehensive income (‘‘OCI’’). Unlike the treatment of “available-for-sale” equity investments under IAS 39, amounts presented in OCI are not subsequently transferred to profit and loss on de-recognition of the equity investment or in the event of an impairment. The Company has re-measured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using valuation methods such as net asset values or a comparable company valuation multiples technique.

(ii) Debt instruments where contractual cash flows are solely payments of principal and interest, and that are held both for sales and collecting contractual cash flows. These instruments include the bond securities portfolio and are measured in a manner similar to the “available-for- sale” debts instruments under IAS 39.

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

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

Impairment

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

Hedge Accounting

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

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

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

New Hedge Strategy

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

Under the new strategy the foreign exchange derivatives used as hedging instruments are designated as a hedge of a portion of the cash flows received for each of a number of deliveries of a specific aircraft type that are expected to occur in a given month. In contrast to the first flow approach that was previously used (which is described in Note 35.1 to the 2017 IFRS Consolidated Financial Statements), the new strategy assigns the hedging instruments to a specified number of monthly deliveries of a specific aircraft type and hence will allow the hedge result to move along with the hedged deliveries in the event of a shift in deliveries.

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

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

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

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

The hedging strategies otherwise used by the group are essentially the same as those used before transition to IFRS 9 and are described in detail in Note 35.1 to the 2017 IFRS Consolidated Financial Statements. In some cases, the currency basis spread was excluded from the hedge on transition to IFRS 9 in order to improve hedge effectiveness. Changes in the currency basis spread will be accounted for as a cost of hedging similar to the time value of options. This change in the hedge designation had no impact on other comprehensive income or equity as of 1 January 2018, nor will it affect future profit and loss when the hedges mature (unless exceptional circumstances apply).

IFRS 9 Total Equity Impacts

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

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

The following table shows the measurement categories of financial instruments:

(In € million)	Measurement categories according to IAS 39	Measurement categories according to IFRS 9	Carrying amount according to IAS 39 at 31 December 2017	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	Fair value through OCI	2,441	1,088
		Fair value through profit and loss		1,353
Customer financings	Loans and receivables	Fair value through profit and loss	771	771
Other loans	Loans and receivables	Amortised cost	1,521	1,521
Trade receivables [(1)]	Loans and receivables	Amortised cost	5,487	5,487
Other financial assets				
Derivative instruments [(2)]	Fair value through profit and loss	Fair value through profit and loss	3,564	3,564
Non-derivative instruments	Loans and receivables	Amortised cost	1,395	1,395
Securities	Available-for-sale	Fair value through OCI	12,571	12,571
Cash and cash equivalents	Fair value through profit and loss	Fair value through profit and loss	6,256	6,256
	Available-for-sale	Fair value through OCI	2,085	900
		Fair value through profit and loss		1,185
	Loans and receivables	Amortised cost	3,675	3,675
Total [(1)]			**39,766**	**39,766**
Liabilities				
Financing liabilities				
Issued bonds and commercial papers	Amortised cost	Amortised cost	(7,063)	(7,063)
Liabilities to banks and other financing liabilities [(1)]	Amortised cost	Amortised cost	(3,792)	(3,792)
Finance lease liabilities	Other	Other	(342)	(342)
Other financial liabilities				
Derivative instruments [(2)]	Fair value through profit and loss	Fair value through profit and loss	(2,271)	(2,271)
European Government refundable advances	Amortised cost	Amortised cost	(5,901)	(5,901)
Others [(1)]	Amortised cost	Amortised cost	(582)	(582)
Trade liabilities [(1)]	Amortised cost	Amortised cost	(13,406)	(13,406)
Total [(1)]			**(33,357)**	**(33,357)**

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

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

IFRS 16 “Leases”

The application of IFRS 16 is mandatory for the first interim period beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees, as the distinction between operating and finance lease is removed. Under IFRS 16, a lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make future lease payments. The only exemptions are short-term and low-value asset leases.

The standard will affect primarily the accounting for operating leases where the Company is a lessee. The accounting for lessors will not change significantly: lessors must continue to distinguish between finance and operating lease.

The detailed assessment of IFRS 16 impact on operating leases and on the Company’s Consolidated Financial Statements is currently in progress. The preliminary outcome of the data collection process is that the Company’s main operating leases seem to be limited to real estate assets, company cars and equipment. In parallel, the Company has initiated the implementation of an IT tool to be used both to manage the Company’s leases and to generate IFRS 16 calculations. So far, the most significant potential impact identified by the Company relates to its operating leases of real estate assets (such as land, warehouses, storage facilities and offices).

The final impact of IFRS 16 on the Consolidated Financial Statements in the period of initial application will depend on future economic conditions under assessment, including the Company's borrowing rates at 1 January 2019, the composition of the lease portfolio at that date and the estimation of the lease terms.

The Company plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

Use of Estimates and Judgements

In preparing the Unaudited Condensed Interim IFRS Consolidated Financial Statements, management makes assumptions and estimates. The underlying assumptions used for the main estimates are similar to those described in the Company's IFRS Consolidated Financial Statements as of 31 December 2017. These estimates are revised if the underlying circumstances have evolved or in light of new information.

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

3. Acquisitions and Disposals

Acquisitions

On 16 October 2017, Airbus, Bombardier Inc. ("Bombardier") and Investissement Québec ("IQ") signed an agreement that brings together Airbus' global reach and scale with Bombardier's newest, state-of-the-art jet aircraft family. Under the agreement, Airbus will provide procurement, sales and marketing, and customer support expertise to the **C Series Aircraft Limited Partnership ("CSALP")**, the entity that manufactures and sells the C Series. The partnership brings together two complementary product lines.

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

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

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

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

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

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

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

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

(In € million)	**Total**
Intangible assets (1)	1,398
Property, plant and equipment	252
Deferred tax assets	85
Inventories (2)	640
Trade receivables	8
Other financial assets	278
Other assets	89
Cash and cash equivalents	129
Total assets acquired	**2,879**
Provisions / Acquired customer contracts (3)	2,633
Deferred tax liabilities	78
Trade liabilities	270
Contract liabilities	685
Other financial liabilities	827
Other liabilities	356
Total liabilities assumed	**4,849**
Net liabilities assumed	**1,970**
Non-controlling interests (at fair value, *i.e.* including synergies provided by the acquirer) (4)	2,246
Consideration transferred (5)	(225)
Preliminary goodwill arising on acquisition (6)	**3,991**

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

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

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

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

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

(6) Goodwill: The goodwill mostly represents Airbus specific synergies expected from the acquisition, which have been excluded from the fair value measurement of the identifiable net assets. These synergies mainly relate to higher expected volumes of aircraft sold and lower manufacturing costs. CSALP is part of the cash generating unit ("CGU") Airbus and will be tested for impairment on an annual basis. The opening balance sheet after purchase price allocation of CSALP has been audited as at 1 July 2018. In accordance with IFRS 3 "Business combinations", the opening balance sheet of CSALP might vary during the 12 month allocation period which ends 1 July 2019. Airbus will retrospectively adjust the initial accounting to reflect new information that would have affected the recognition or the measurement of the preliminary amounts as of 1 July 2018.

Disposals

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

Assets and Disposal Groups Classified as Held for Sale

As of 30 September 2018, the Company accounted for **assets and disposal groups of assets classified as held for sale** in the amount of € 35 million (prior year-end: € 202 million).

4. Related Party Transactions

The Company has entered into various transactions with related entities; carried out in the normal course of business.

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

5. Segment Information

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

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

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

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

Business segment information for the nine-month period ended 30 September 2018 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	30,478	3,755	7,051	0	41,284
Internal revenue	(516)	(295)	(52)	0	(863)
Revenue	**29,962**	**3,460**	**6,999**	**0**	**40,421**
thereof:					
sales of goods at a point in time	*27,825*	*1,672*	*1,907*	*0*	*31,404*
sales of goods over time	*11*	*249*	*2,786*	*0*	*3,046*
services, including sale of spare parts	*2,126*	*1,539*	*2,306*	*0*	*5,971*
Profit (loss) before financial result and income taxes (EBIT)	**2,238**	**179**	**479**	**(213)**	**2,683**
thereof research and development expenses	*(1,456)*	*(214)*	*(219)*	*(214)*	*(2,103)*
Interest result					(223)
Other financial result					(190)
Income taxes					(824)
Profit for the period					**1,446**

Business segment information for the nine-month period ended 30 September 2017 is as follows: (1)

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	27,579	4,197	7,052	0	38,828
Internal revenue	(396)	(367)	(58)	0	(821)
Revenue	**27,183**	**3,830**	**6,994**	**0**	**38,007**
thereof:					
sales of goods at a point in time	*25,161*	*1,691*	*1,558*	*0*	*28,410*
sales of goods over time	*0*	*242*	*3,306*	*0*	*3,548*
services, including sale of spare parts	*2,022*	*1,897*	*2,130*	*0*	*6,049*
Profit (loss) before financial result and income taxes (EBIT)	**779**	**161**	**889**	**(156)**	**1,673**
thereof research and development expenses	*(1,303)*	*(205)*	*(220)*	*(190)*	*(1,918)*
Interest result					(251)
Other financial result					352
Income taxes					(376)
Profit for the period					**1,398**

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

6. Revenue, Gross Margin and Profit before Financial Result and Income Taxes

Revenue increased by € +2,414 million to € 40,421 million (first nine months 2017 (restated): € 38,007 million). The increase relates mainly to Airbus (€ +2,899 million), principally reflecting higher deliveries, partly reduced due to the perimeter change at Airbus Helicopters (€ -442 million).

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

(In € million)	1 January - 30 September 2018	1 January - 30 September 2017 (1)
Asia-Pacific	13,197	13,161
Europe	11,915	10,975
North America	7,498	6,576
Middle East	4,470	4,590
Latin America	947	434
Other Countries	2,394	2,271
Total	**40,421**	**38,007**

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

The **gross margin** increased by € +1,764 million to € 6,064 million compared to € 4,300 million in the first nine months 2017 (restated). The gross margin rate increased from 11.3% (restated) to 15.0%.

In the first nine months 2018, Airbus has delivered 61 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of September 2018 have been reflected in the financial statements.

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

12 A400M aircraft were delivered in 2018. In total, 69 aircraft have been delivered as of 30 September 2018.The Company continued with development activities toward achieving the revised capability roadmap. Retrofit activities are progressing.

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

A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of € 1,299 million for the year 2017, thereof € 1,149 million in the fourth quarter 2017 (restated equivalent loss following the implementation of IFRS 15 was € 992 million for the year 2017, thereof € 726 million in the fourth quarter 2017). Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engine, and on cost reductions as per the revised baseline. The year end 2017 assessment remains operationally unchanged as of 30 September 2018. A technical update during 2018 mainly reflecting price escalation resulted in a charge of € 105 million.

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

The **profit before financial result and income taxes** increased by € +1,010 million to € 2,683 million compared to € 1,673 million in the first nine months 2017 (restated), mainly driven by the increase in gross margin and a decrease in other income.

Other income decreased by € -564 million to € 352 million compared to € 916 million in the first nine months 2017, which included the capital gain from the sale of the defence electronics business at Airbus Defence and Space.

7. Total Financial Result

Total financial result deteriorated by € -514 million to € -413 million compared to € 101 million in the first nine months 2017. This is mainly due to the negative impact from foreign exchange valuation of monetary items and the revaluation of financial instruments, partly compensated by the net effect of the change of treatment of certain financial instruments under IFRS 9.

8. Income Taxes

The **income tax** expense of € -824 million (first nine months 2017 (restated): € -376 million) corresponds to an effective tax rate of 36.3% (first nine months 2017 (restated): 21.2%). This includes a deferred tax asset impairment, partially offset by the sale of Plant Holdings, Inc. (see "– Note 3: Acquisitions and Disposals") and the revaluation of certain equity investments under IFRS 9 (see "– Note 2: Accounting Policies"), both tax-free.

9. Earnings per Share

	1 January - 30 September 2018	1 January - 30 September 2017
Profit for the period attributable to equity owners of the parent (Net income) (1)	€ 1,453 million	€ 1,398 million
Weighted average number of ordinary shares	774,762,268	773,574,878
Basic earnings per share (1)	**€ 1.88**	**€ 1.81**

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

Diluted earnings per share – The Company's categories of dilutive potential ordinary shares are share-settled Performance Units relating to **Long-Term Incentive Plans ("LTIP")** and the **convertible bond** issued on 1 July 2015. During the first nine months 2018, the average price of the Company's shares exceeded the exercise price of the share-settled Performance Units and therefore 728,928 shares (first nine months 2017: 492,217 shares) were considered in the calculation of diluted earnings per share. The dilutive effect of the convertible bond was also considered in the calculation of diluted earnings per share in the first nine months 2018, by adding back € 5 million of interest expense to the profit for the period attributable to equity owners of the parent (first nine months 2017: € 5 million) and by including 5,022,990 of dilutive potential ordinary shares.

	1 January - 30 September 2018	1 January - 30 September 2017
Profit for the period attributable to equity owners of the parent (Net income), adjusted for diluted calculation (1)	€ 1,458 million	€ 1,403 million
Weighted average number of ordinary shares (diluted) (2)	780,514,186	779,090,085
Diluted earnings per share (1)	**€ 1.87**	**€1.80**

(1) Previous year figures are restated due to the application of IFRS 15.
(2) Dilution assumes conversion of all potential ordinary shares.

10. Intangible Assets and Property, Plant and Equipment

Intangible assets increased by € +5,359 million to € 16,988 million (prior year-end: € 11,629 million). Intangible assets mainly relate to goodwill of € 13,141 million (prior year-end: € 9,141 million). The increase is primarily due to the acquisition of CSALP (see "– Note 3: "Acquisitions and Disposals").

Property, plant and equipment increased by € +49 million to € 16,659 million (prior year-end: € 16,610 million). Property, plant and equipment includes leased assets of € 64 million (prior year-end: € 52 million).

11. Investments Accounted for under the Equity Method

Investments accounted for under the equity method decreased by € -77 million to € 1,540 million (prior year-end (restated): € 1,617 million) and mainly include the equity investments in ArianeGroup, MBDA and ATR.

12. Other Investments and Other Long-Term Financial Assets

(In € million)	**30 September 2018**	31 December 2017
Other investments	2,526	2,441
Other long-term financial assets	1,702	1,763
Total non-current other investments and other long-term financial assets	**4,228**	**4,204**
Current portion of other long-term financial assets	**562**	**529**
Total	**4,790**	**4,733**

Other investments mainly comprise the Company's participations. The significant participations at 30 September 2018 include the remaining investment in Dassault Aviation amounting to € 1,315 million (prior year-end: € 1,071 million).

Other long-term financial assets and the **current portion of other long-term financial assets** include other loans in the amount of € 1,527 million as of 30 September 2018 (prior year-end: € 1,521 million), and the sales finance activities in the form of finance lease receivables and loans from aircraft financing.

13. Inventories

Inventories of € 35,052 million (prior year-end (restated): € 29,737 million) increased by € +5,315 million. This is mainly driven by Airbus (€ +4,399 million) and Airbus Defence and Space (€ +619 million). At Airbus, it reflects an increase in work in progress associated with the A320 programme ramp-up and the back loaded delivery profile, including the impact of late engine deliveries.

14. Contract Assets, Contract Liabilities and Trade Receivables

As of 30 September 2018, **contract assets** include receivables from revenue recognised on over time contracts in the amount of € 10,056 million (prior year-end: € 11,349 million) and **contract liabilities** include customer advance payment received in the amount of € 50,849 million (prior year-end: € 47,580 million).

15. Provisions

(In € million)	**30 September 2018**	31 December 2017
Provisions for pensions	7,677	8,361
Other provisions [(1)]	9,380	7,690
Total [(1)]	**17,057**	**16,051**
thereof non-current portion [(1)]	*11,547*	*9,779*
thereof current portion [(1)]	*5,510*	*6,272*

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

Other provisions are presented net of programme losses against inventories (see "– Note 13: Inventories") and include liabilities relative to acquired customer contracts linked to the acquisition of CSALP (see "– Note 3: "Acquisitions and Disposals").

A restructuring provision associated with the re-organisation of the Company of € 160 million was recorded at year-end 2016, following the communication of the plan to the employees and the European Works Council in November 2016. The French social plan was agreed between the Company and the works council in June 2017. The German social plan was agreed between the Company and the works councils in September 2017, and the reconciliation of interests were finalized on 21 February 2018

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

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

16. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

(In € million)	**30 September 2018**	31 December 2017
Positive fair values of derivative financial instruments	1,597	2,901
Others	121	79
Total non-current other financial assets	**1,718**	**2,980**
Receivables from related companies	940	992
Positive fair values of derivative financial instruments	467	663
Others	400	324
Total current other financial assets	**1,807**	**1,979**
Total	**3,525**	**4,959**

Other Financial Liabilities

(In € million)	**30 September 2018**	31 December 2017
Liabilities for derivative financial instruments	977	1,127
European Governments refundable advances	5,752	5,537
Others [(1)]	2,787	40
Total non-current other financial liabilities [(1)]	**9,516**	**6,704**
Liabilities for derivative financial instruments	1,434	1,144
European Governments refundable advances	319	364
Liabilities to related companies [(1)]	169	199
Others	578	343
Total current other financial liabilities [(1)]	**2,500**	**2,050**
Total [(1)]	**12,016**	**8,754**

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

17. Other Assets and Other Liabilities

Other Assets

(In € million)	**30 September 2018**	31 December 2017
Cost to fulfil a contract [(1)]	887	868
Prepaid expenses [(1)]	31	15
Others [(1)]	105	92
Total non-current other assets [(1)]	**1,023**	**975**
Value added tax claims	2,755	1,892
Cost to fulfil a contract [(1)]	499	522
Prepaid expenses [(1)]	243	146
Others	674	377
Total current other assets [(1)]	**4,171**	**2,937**
Total [(1)]	**5,194**	**3,912**

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

Other Liabilities

(In € million)	**30 September 2018**	31 December 2017
Others [(1)]	289	298
Total non-current other liabilities [(1)]	**289**	**298**
Tax liabilities (excluding income tax)	2,445	1,397
Others	2,747	2,512
Total current other liabilities [(1)]	**5,192**	**3,909**
Total [(1)]	**5,481**	**4,207**

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

18. Total Equity

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

(In number of shares)	**30 September 2018**	31 December 2017
Issued as at 1 January	**774,556,062**	**772,912,869**
Issued for ESOP	1,317,465	1,643,193
Issued for exercised options	0	0
Cancelled	0	0
Issued at end of period	**775,873,527**	**774,556,062**
Treasury shares	(679,940)	(129,525)
Outstanding at end of period	**775,193,587**	**774,426,537**

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

Equity attributable to equity owners of the parent (including purchased treasury shares) amounts to € 9,531 million (prior year-end (restated): € 10,740 million) representing a decrease of € -1,209 million. This is due to a decrease in other comprehensive income of € -1,604 million, principally related to the mark to market revaluation of the hedge portfolio of € -1,360 million, and a dividend payment of € -1,161 million (€ 1.35 per share), partly compensated by a net income for the period of € 1,453 million.

The **non-controlling interests ("NCI")** from non-wholly owned subsidiaries decreased to € -5 million as of 30 September 2018 (prior year-end (restated): € 2 million).

19. Net Cash

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

(In € million)	**30 September 2018**	31 December 2017
Cash and cash equivalents	5,603	12,016
Current securities	2,401	1,627
Non-current securities	10,321	10,944
Gross cash position	**18,325**	**24,587**
Short-term financing liabilities	(3,638)	(2,213)
Long-term financing liabilities	(7,500)	(8,984)
Total	**7,187**	**13,390**

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

(In € million)	**30 September 2018**	31 December 2017
Bank account and petty cash	2,256	3,672
Short-term securities (at fair value through profit and loss)	1,793	6,256
Short-term securities (at fair value through other comprehensive income) (1)	1,498	2,085
Others	56	8
Total cash and cash equivalents	**5,603**	**12,021**
Recognised in disposal groups classified as held for sale	0	5
Recognised in cash and cash equivalents	**5,603**	**12,016**

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

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

Financing Liabilities

(In € million)	**30 September 2018**	31 December 2017
Bonds	6,535	6,551
Liabilities to financial institutions	258	1,722
Loans	392	385
Liabilities from finance leases	314	325
Others (1)	1	1
Long-term financing liabilities	**7,500**	**8,984**
Bonds	1,982	512
Liabilities to financial institutions	90	290
Loans	139	144
Liabilities from finance leases	15	17
Others (1)	1,412	1,250
Short-term financing liabilities	**3,638**	**2,213**
Total	**11,138**	**11,197**

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

Long-term financing liabilities, mainly comprising bonds and liabilities to financial institutions, decreased by € -1,484 million to € 7,500 million (prior year-end: € 8,984 million), as a result of early settlement of liabilities to financial institutions with the European Investment Bank ("EIB").

Short-term financing liabilities increased by € +1,425 million to € 3,638 million (prior year-end: € 2,213 million), mainly related to higher commercial programmes.

20. Information about Financial Instruments

The following table presents the composition of derivative financial instruments:

(In € million)	**30 September 2018**	31 December 2017
Non-current positive fair values	1,597	2,901
Current positive fair values	467	663
Total positive fair values of derivative financial instruments	**2,064**	**3,564**
Non-current negative fair values	(977)	(1,127)
Current negative fair values	(1,434)	(1,144)
Total negative fair values of derivative financial instruments	**(2,411)**	**(2,271)**
Total net fair values of derivative financial instruments	**(347)**	**1,293**

The total net fair value of derivative financial instruments decreased by € -1,640 million to € -347 million (prior year-end: € 1,293 million) as a result of the strengthened US dollar versus the euro associated with the mark to market valuation of the hedge portfolio.

The volume of hedged US dollar-contracts was US$ 84.1 billion as at 30 September 2018 (prior year-end: US$ 88.7 billion). The US dollar spot rate was 1.16 US$/€ and 1.20 US$/€ at 30 September 2018 and at 31 December 2017, respectively. The average US dollar hedge rate for the hedge portfolio of the Company remains at 1.23 US$/€ as at 30 September 2018.

Carrying Amounts and Fair Values of Financial Instruments

Fair values of financial instruments have been determined with reference to available market information at the end of the reporting period and the valuation methodologies as described in detail in Note 35.2 to the 2017 IFRS Consolidated Financial Statements. For the first nine months 2018, the Company has applied the same methodologies for the fair value measurement of financial instruments. In addition, the Company has remeasured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using common valuation methods such as net asset values or a comparable company valuation multiples technique.

Carrying amount is a reasonable approximation of fair value for all classes of financial instruments listed in the first table of Note 35.2 to the 2017 IFRS Consolidated Financial Statements, with the exception of:

	30 September 2018		31 December 2017	
(In € million)	**Book Value**	**Fair Value**	Book Value	Fair Value
Financing liabilities				
Issued bonds and commercial papers	(8,517)	(9,125)	(7,063)	(7,363)
Liabilities to banks and other financing liabilities	(2,292)	(2,300)	(3,791)	(3,838)

Fair Value Hierarchy

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

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

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

The following table presents the carrying amounts of the financial instruments held at fair value across the three levels of the **fair value hierarchy:**

	30 September 2018				31 December 2017			
(In € million)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments	2,067	0	459	2,526	1,963	0	0	1,963
Derivative instruments	0	1,908	156	2,064	0	3,564	0	3,564
Securities	10,367	2,355	0	12,722	10,995	1,576	0	12,571
Cash equivalents	1,793	1,498	0	3,291	6,256	2,085	0	8,341
Total	**14,227**	**5,761**	**615**	**20,603**	**19,214**	**7,225**	**0**	**26,439**
Financial liabilities measured at fair value								
Derivative instruments	0	(2,343)	(15)	(2,358)	0	(2,214)	(3)	(2,217)
Other financial liabilities	0	0	(2,239)	(2,239)	0	0	0	0
Total	**0**	**(2,343)**	**(2,254)**	**(4,597)**	**0**	**(2,214)**	**(3)**	**(2,217)**

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

	Financial assets				Financial liabilities			
(In € million)	Commodity swap agreements	Derivatives	Participations	Total	Written put options on NCI interests	Commodity swap agreements	Earn-out agreements	Total
Balance at 1 January 2017	**3**	**0**	**0**	**3**	**(28)**	**(11)**	**(10)**	**(49)**
Profit or loss	0	0	0	0	0	(6)	0	(6)
Other comprehensive income	0	0	0	0	6	0	0	6
Settlements	(3)	0	0	(3)	0	5	10	15
Balance at 30 September 2017	**0**	**0**	**0**	**0**	**(22)**	**(12)**	**0**	**(34)**
Balance at 1 January 2018, IAS 39	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**(3)**
IFRS 9 implementation	0	0	478	478	0	0	0	0
Business combination (1)	0	156	0	156	(2,239)	0	0	(2,239)
Profit or loss	0	0	0	0	0	(46)	0	(46)
Other comprehensive income	0	0	(8)	(8)	0	0	0	0
Settlements	0	0	(11)	(11)	0	34	0	34
Balance at 30 September 2018	**0**	**156**	**459**	**615**	**(2,239)**	**(15)**	**0**	**(2,254)**

(1) Related to CSALP acquisition (see "– Note 3: Acquisitions and Disposals").

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

The Company has remeasured certain unlisted equity investments as described in "– Note 2: Accounting Policies". The fair value of some of these equity investments has been determined using valuation methods such as net asset value technique.

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

21. Litigation and Claims

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

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

WTO

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

On 1 June 2011, the WTO adopted the Appellate Body's final report in the case brought by the US assessing funding to Airbus from European governments. On 1 December 2011, the EU informed the WTO that it had taken appropriate steps to bring its measures fully into conformity with its WTO obligations, and to comply with the WTO's recommendations and rulings. Because the US did not agree, the matter was referred to the WTO for further review pursuant to WTO rules. A decision was published in May 2018 in which the WTO clarified that the EU and the Company have achieved compliance in respect of the majority of the subsidies at issue but considered that some remaining obligations required minor adjustments, which have since been addressed by the EU. Because the US did not agree on the EU compliance efforts, the US requested the resumption of Article 22.6 arbitration proceedings to quantify the amount of countermeasures against the EU. In September 2018, the US requested an annual amount of countermeasures of US$ 11.2 billion. The Company considers the US' request unjustified given the measures taken to comply with the Appellate Body decision of May 2018. The Company has worked with the European Commission and the Member State governments to fully implement the WTO findings in the Appellate Body's decision and asserts that the new measures taken render the sanctions request moot.

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

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

GPT

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

Eurofighter Austria

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

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

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

In light of these investigations, the Company enhanced certain of its policies, procedures and practices, including ethics and compliance and export control. The Company has revised and implemented improved procedures, including those with respect to its engagement of consultants and other third parties, in particular in respect of sales support activities. The Company believes that these enhancements to its controls and practices will best position it for the future, particularly in light of advancements in regulatory standards. Several consultants and other third parties have initiated commercial litigation and arbitration against the Company seeking relief. The enhancement of its controls and practices has led to additional commercial litigation and arbitration against the Company and may lead to other civil law or criminal law consequences in the future, which could have a material impact on the financial statements, however at this stage it is too early to determine the likelihood or extent of any liability.

ECA Financing

A first ECA application since 2016 for financing submitted by the Company under the process previously agreed with the ECAs was accepted by the ECAs and ECA cover was granted in Q1 2018. We anticipate a return to ECA cover in 2018 for a limited number of transactions while the level of appetite for commercial financing remains high.

Other Investigations

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

The Company is cooperating with French judicial authorities pursuant to a request for mutual legal assistance made by the government of Tunisia in connection with historical aircraft sales.

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

Other Disputes

In May 2013, the Company was notified of a commercial dispute following the decision taken by the Company to cease a partnership for sales support activities in some local markets abroad. The Company believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2019 at the earliest.

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

22. Number of Employees

	Airbus	Airbus Helicopters	Airbus Defence and Space	**Consolidated Airbus**
30 September 2018	79,907	19,797	32,654	**132,358**
31 December 2017	77,163	20,108	32,171	**129,442**

23. Events after the Reporting Date

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