Airbus SE
Unaudited Condensed
IFRS Consolidated Financial Information
for the year ended 31 December 2018

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Airbus SE
Unaudited Condensed
IFRS Consolidated Financial Statements

Unaudited Condensed
IFRS Consolidated Income Statement

(In € million)	Note	**2018**	2017
Revenue [(1)]	**6**	**63,707**	**59,022**
Cost of sales [(1)]		(54,920)	(52,149)
Gross margin [(1)]	**6**	**8,787**	**6,873**
Selling expenses		(861)	(872)
Administrative expenses		(1,574)	(1,567)
Research and development expenses	7	(3,217)	(2,807)
Other income	9	1,656	981
Other expenses	9	(182)	(336)
Share of profit from investments accounted for under the equity method [(1)]	8	330	311
Other income from investments	8	109	82
Profit before financial result and income taxes [(1)]		**5,048**	**2,665**
Interest income		208	189
Interest expense		(440)	(517)
Other financial result [(1)]		(531)	1,489
Total financial result [(1)]	10	(763)	1,161
Income taxes [(1)]	11	(1,274)	(1,462)
Profit for the period [(1)]		**3,011**	**2,364**
Attributable to:			
Equity owners of the parent (Net income) [(1)]		3,054	2,361
Non-controlling interests [(1)]		(43)	3
Earnings per share		**€**	**€**
Basic [(1)]	12	3.94	3.05
Diluted [(1)]	12	3.92	3.04

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

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

Unaudited Condensed
IFRS Consolidated Statement of Comprehensive Income

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

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

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

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

Unaudited Condensed
IFRS Consolidated Statement of Financial Position

(In € million)	Note	**2018**	2017
Assets			
Non-current assets			
Intangible assets	13	16,726	11,629
Property, plant and equipment	13	16,773	16,610
Investment property		3	3
Investments accounted for under the equity method (1)	14	1,693	1,617
Other investments and other long-term financial assets	15	3,811	4,204
Non-current contract assets (1)	17	65	1
Non-current other financial assets	19	1,108	2,980
Non-current other assets (1)	20	888	975
Deferred tax assets (1)		4,835	4,562
Non-current securities	22	10,662	10,944
Total non-current assets (1)		**56,564**	**53,525**
Current assets			
Inventories (1)	16	31,891	29,737
Trade receivables	17	6,078	5,487
Current portion of other long-term financial assets	15	489	529
Current contract assets (1)	17	789	496
Current other financial assets	19	1,811	1,979
Current other assets (1)	20	4,246	2,937
Current tax assets		1,451	914
Current securities	22	2,132	1,627
Cash and cash equivalents	22	9,413	12,016
Total current assets (1)		**58,300**	**55,722**
Assets and disposal group of assets classified as held for sale	3	334	202
Total assets (1)		**115,198**	**109,449**

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

(In € million)	Note	**2018**	2017
Equity and liabilities			
Equity attributable to equity owners of the parent			
Capital stock		777	775
Share premium		2,941	2,826
Retained earnings (1)		5,923	4,399
Accumulated other comprehensive income		134	2,742
Treasury shares		(51)	(2)
Total equity attributable to equity owners of the parent (1)		**9,724**	**10,740**
Non-controlling interests		(5)	2
Total equity (1)	21	**9,719**	**10,742**

Liabilities			
Non-current liabilities			
Non-current provisions (1)	18	11,571	9,779
Long-term financing liabilities	22	7,463	8,984
Non-current contract liabilities (1)	17	15,832	16,013
Non-current other financial liabilities (1)	19	8,009	6,704
Non-current other liabilities (1)	20	460	298
Deferred tax liabilities (1)		1,318	1,002
Non-current deferred income (1)		40	42
Total non-current liabilities (1)		**44,693**	**42,822**
Current liabilities			
Current provisions (1)	18	7,317	6,272
Short-term financing liabilities (1)	22	1,463	2,212
Trade liabilities (1)		16,237	13,406
Current contract liabilities (1)	17	26,229	25,943
Current other financial liabilities (1)	19	2,462	2,050
Current other liabilities (1)	20	5,288	3,909
Current tax liabilities		732	1,481
Current deferred income (1)		626	506
Total current liabilities (1)		**60,354**	**55,779**
Disposal group of liabilities classified as held for sale	3	432	106
Total liabilities (1)		**105,479**	**98,707**
Total equity and liabilities (1)		**115,198**	**109,449**

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

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

Unaudited Condensed
IFRS Consolidated Statement of Cash Flows

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

(In € million)		**2018**	2017
Financing activities:			
Increase in financing liabilities		103	1,703
Repayment of financing liabilities		(2,411)	(419)
Cash distribution to Airbus SE shareholders	21	(1,161)	(1,043)
Dividends paid to non-controlling interests		0	(3)
Payments for liability for puttable instruments		179	0
Changes in capital and non-controlling interests	21	117	83
Change in treasury shares		(49)	0
Cash provided by (used for) financing activities		**(3,222)**	**321**
Effect of foreign exchange rate changes on cash and cash equivalents		(54)	(374)
Net increase (decrease) in cash and cash equivalents		**(2,593)**	**1,861**
Cash and cash equivalents at beginning of period		**12,021**	**10,160**
Cash and cash equivalents at end of period	22	**9,428**	**12,021**
thereof presented as cash and cash equivalents	22	*9,413*	*12,016*
thereof presented as part of disposal groups classified as held for sale	3	*15*	*5*

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

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

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

Unaudited Condensed
IFRS Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of the parent									
				Accumulated other comprehensive income						
(In € million)	Capital stock	Share premium	Retained earnings	Financial assets at fair value	Cash flow hedges	Foreign currency translation adjustments	Treasury shares	Total	Non-controlling interests	Total equity
Balance at 31 December 2016, as reported	**773**	**2,745**	**4,987**	**770**	**(7,153)**	**1,538**	**(3)**	**3,657**	**(5)**	**3,652**
Restatements [1]	0	0	(2,096)	0	0	0	0	(2,096)	0	(2,096)
Balance at 1 January 2017, restated [1]	**773**	**2,745**	**2,891**	**770**	**(7,153)**	**1,538**	**(3)**	**1,561**	**(5)**	**1,556**
Profit for the period [1]	0	0	2,361	0	0	0	0	2,361	3	2,364
Other comprehensive income	0	0	151	369	7,757	(539)	0	7,738	35	7,773
Total comprehensive income for the period [1]	0	0	2,512	369	7,757	(539)	0	10,099	38	10,137
Capital increase	2	81	0	0	0	0	0	83	0	83
Share-based payment (IFRS 2)	0	0	36	0	0	0	0	36	0	36
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	0	0	(1,043)	0	0	0	0	(1,043)	(3)	(1,046)
Equity transaction (IAS 27)	0	0	3	0	0	0	0	3	(28)	(25)
Change in treasury shares	0	0	0	0	0	0	1	1	0	1
Cancellation of treasury shares	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2017, restated [1]	**775**	**2,826**	**4,399**	**1,139**	**604**	**999**	**(2)**	**10,740**	**2**	**10,742**
Restatements [1] [2]	0	0	187	(367)	172	0	0	(8)	0	(8)
Balance at 1 January 2018, restated [1] [2]	**775**	**2,826**	**4,586**	**772**	**776**	**999**	**(2)**	**10,732**	**2**	**10,734**
Profit for the period	0	0	3,054	0	0	0	0	3,054	(43)	3,011
Other comprehensive income	0	0	(569)	(280)	(2,249)	116	0	(2,982)	(32)	(3,014)
Total comprehensive income for the period	0	0	2,485	(280)	(2,249)	116	0	72	(75)	(3)
Capital increase	2	115	0	0	0	0	0	117	0	117
Share-based payment (IFRS 2)	0	0	62	0	0	0	0	62	0	62
Cash distribution to Airbus SE shareholders / Dividends paid to non-controlling interests	0	0	(1,161)	0	0	0	0	(1,161)	0	(1,161)
Equity transaction (IAS 27)	0	0	(49)	0	0	0	0	(49)	68	19
Change in non-controlling interests	0	0	0	0	0	0	0	0	0	0
Change in treasury shares	0	0	0	0	0	0	(49)	(49)	0	(49)
Cancellation of treasury shares	0	0	0	0	0	0	0	0	0	0
Balance at 31 December 2018	**777**	**2,941**	**5,923**	**492**	**(1,473)**	**1,115**	**(51)**	**9,724**	**(5)**	**9,719**

(1) Previous year figures are restated due to the application of IFRS 15. The restatement was updated due to current information.

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

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

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Notes to the Airbus SE Unaudited Condensed IFRS Consolidated Financial Statements

1. The Company

The accompanying Unaudited Condensed 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 13 February 2019.

2. Accounting Policies

The Unaudited Condensed 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 31 December 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.

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 IFRS Consolidated Financial Statements as of 31 December 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 2018 Unaudited Condensed 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 (1)

(In € million)	As previously reported	IFRS 15	As restated
Assets			
Non-current assets			
Intangible assets	11,629	0	11,629
Property, plant and equipment	16,610	0	16,610
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	(356)	23,668
Total non-current assets	**53,941**	**(416)**	**53,525**
Current assets			
Inventories	31,464	(1,727)	29,737
Trade receivables	8,358	(2,871)	5,487
Current contract assets	0	496	496
Current other assets	8,158	30	8,188
Cash and cash equivalents	12,016	0	12,016
Total current assets	**59,996**	**(4,072)**	**55,924**
Total assets	**113,937**	**(4,488)**	**109,449**
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	16,013	16,013
Non-current other liabilities	34,302	(17,272)	17,030
Total non-current liabilities	**44,455**	**(1,633)**	**42,822**
Current liabilities			
Current provisions	6,575	(303)	6,272
Trade liabilities	13,444	(38)	13,406
Current contract liabilities	0	25,943	25,943
Current other liabilities	36,112	(25,848)	10,264
Total current liabilities	**56,131**	**(246)**	**55,885**
Total liabilities	**100,586**	**(1,879)**	**98,707**
Total equity and liabilities	**113,937**	**(4,488)**	**109,449**

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

Condensed IFRS Consolidated Income Statements for the year ended 31 December 2017

(In € million)	As previously reported	IFRS 15	As restated
Revenue	**66,767**	**(7,745)**	**59,022**
Cost of sales	(59,160)	7,011	(52,149)
Gross margin	**7,607**	**(734)**	**6,873**
Selling, administrative and other expenses	(2,775)	0	(2,775)
Research and development expenses	(2,807)	0	(2,807)
Other income	981	0	981
Share of profit from investments accounted for under the equity method and other income from investment	415	(22)	393
Profit before financial result and income taxes (EBIT)	**3,421**	**(756)**	**2,665**
Total financial result	1,149	12	1,161
Income taxes	(1,693)	231	(1,462)
Profit for the period	**2,877**	**(513)**	**2,364**

IFRS 9 “Financial Instruments”

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

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

Classification and Measurement

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

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through 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 derecognition of the equity investment or in the event of an impairment. The Company has remeasured non-listed equity investments for which no quoted market prices are available at fair value and determined the fair values of these equity investments using valuation methods such as net asset values or a comparable company valuation multiples technique.

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

Financial assets at fair value through profit and loss — This category comprises all other financial assets – 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 € +172million 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	Carrying amount according to IAS 39 at 31 December 2017	Measurement categories according to IFRS 9	Carrying amount according to IFRS 9 at 1 January 2018
Assets				
Other investments and other long-term financial assets				
Equity investments	Available-for-sale	2,441	Fair value through OCI	1,088
			Fair value through profit and loss	1,353
Customer financing	Loans and receivables	771	Fair value through profit and loss	771
Other loans	Loans and receivables	1,521	Amortised cost	1,521
Trade receivables (1)	Loans and receivables	5,487	Amortised cost	5,487
Contract assets	Loans and receivables	497	Amortised cost	497
Other financial assets				
Derivative instruments (2)	Fair value through profit and loss	3,564	Fair value through profit and loss	3,564
Non-derivative instruments	Loans and receivables	1,395	Amortised cost	1,395
Securities	Available-for-sale	12,571	Fair value through OCI	12,571
Cash and cash equivalents	Fair value through profit and loss	6,256	Fair value through profit and loss	6,256
	Available-for-sale	2,085	Fair value through OCI	900
			Fair value through profit and loss	1,185
	Loans and receivables	3,675	Amortised cost	3,675
Total (1)		**40,263**		**40,263**
Liabilities				
Financing liabilities				
Bonds and commercial papers	Amortised cost	(7,063)	Amortised cost	(7,063)
Liabilities to financial institutions and others (1)	Amortised cost	(3,792)	Amortised cost	(3,792)
Finance lease liabilities	Other	(342)	Other	(342)
Other financial liabilities				
Derivative instruments (2)	Fair value through profit and loss	(2,271)	Fair value through profit and loss	(2,271)
European Governments' refundable advances	Amortised cost	(5,901)	Amortised cost	(5,901)
Others (1)	Amortised cost	(582)	Amortised cost	(582)
Trade liabilities (1)	Amortised cost	(13,406)	Amortised cost	(13,406)
Total (1)		**(33,357)**		**(33,357)**

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

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

IFRS 16 “Leases”

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

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

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

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

- The previous determination pursuant to IAS 17 and IFRIC 4 of whether a contract is a lease will be maintained for existing contracts, in accordance with IFRS 16,

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

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

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

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

Use of Estimates and Judgements

In preparing the Unaudited Condensed 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.

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

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

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

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

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

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

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

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

Disposals

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

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

Assets and Disposal Groups Classified as Held for Sale

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

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 year ended 31 December 2018 is as follows:

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	**Consolidated Airbus**
Total revenue	47,970	5,934	11,063	0	64,967
Internal revenue	(771)	(411)	(78)	0	(1,260)
Revenue	**47,199**	**5,523**	**10,985**	**0**	**63,707**
thereof:					
sales of goods at a point in time	*44,175*	*2,917*	*3,080*	*0*	*50,172*
sales of goods over time	*23*	*362*	*4,579*	*0*	*4,964*
services, including sales of spare parts	*3,001*	*2,244*	*3,326*	*0*	*8,571*
Profit (loss) before financial result and income taxes (EBIT)	**4,295**	**366**	**676**	**(289)**	**5,048**
thereof research and development expenses	*(2,214)*	*(315)*	*(328)*	*(360)*	*(3,217)*
Interest result					(232)
Other financial result					(531)
Income taxes					(1,274)
Profit for the period					**3,011**

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

(In € million)	Airbus	Airbus Helicopters	Airbus Defence and Space	Transversal / Eliminations	Consolidated Airbus
Total revenue	43,486	6,335	10,596	0	60,417
Internal revenue	(819)	(476)	(100)	0	(1,395)
Revenue	**42,667**	**5,859**	**10,496**	**0**	**59,022**
thereof:					
sales of goods at a point in time	*39,955*	*2,898*	*2,015*	*0*	*44,868*
sales of goods over time	*0*	*332*	*5,624*	*0*	*5,956*
services, including sales of spare parts	*2,712*	*2,629*	*2,857*	*0*	*8,198*
Profit (loss) before financial result and income taxes (EBIT)	**2,257**	**247**	**462**	**(301)**	**2,665**
thereof research and development expenses	*(1,842)*	*(306)*	*(322)*	*(337)*	*(2,807)*
Interest result					(328)
Other financial result					1,489
Income taxes					(1,462)
Profit for the period					**2,364**

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

6. Revenue and Gross Margin

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

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

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

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

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

In 2018, Airbus has delivered 93 A350 XWB aircraft. New order intakes, cancellations, delivery postponements and other contractual agreements to the end of December 2018 have been reflected in the financial statements.
The industrial ramp-up is progressing and associated risks continue to be closely monitored in line with the schedule, aircraft performance and overall cost envelope, as per customer commitments. Despite the progress made, challenges remain with recurring cost convergence as the ramp-up continues.

In 2018, the Company's largest A380 operator has reviewed its aircraft fleet strategy going forward and has concluded it is forced to restructure and reduce its A380 order by 39 aircraft. The Company entered into discussions with the customer in late 2018 which finally resulted in the signature of a head of agreement on 11 February 2019. Without this customer's A380 order, the Company has no substantial order backlog and no basis to sustain A380 production, despite all sales and marketing efforts in recent years. As a consequence of this decision, deliveries of the A380 will cease in 2021.
At year-end 2018, in view of the above, the Company has reassessed accordingly the expected market assumptions and the recoverability and depreciation method of specific assets allocated to the A380 programme. As a result, the Company has impaired specific A380 assets in the amount of € 167 million, recognised an onerous contract provision for an amount of € 1,257 million and updated the measurement of refundable advances including interest accretion for a total amount of € 1,426 million. As a consequence, the recognition of the onerous contract provision as well as other specific provisions and the remeasurement of the liabilities have negatively affected the consolidated income statement before taxes by a net € 463 million in EBIT and positively impacted the other financial result by € 177 million.

17 A400M aircraft were delivered in 2018. In total, 74 aircraft have been delivered as of 31 December 2018. The Company continued with development activities toward achieving the revised capability roadmap with the achievement of an important development milestone according to schedule. Retrofit activities are progressing in line with the customer agreed plan.
In 2017, the Company entered into discussions with OCCAR and the customer Nations that resulted in the signature of a Declaration of Intent ("DOI") on 7 February 2018 agreeing on a global re-baselining of the contract, including a revised aircraft delivery schedule, an updated technical capability roadmap and a revised retrofit schedule. The DOI represents an important step towards reaching a contractually binding agreement also mitigating the commercial exposure while satisfying customer needs with regard to capabilities and availability of the aircraft. A detailed review of the programme concluded in the fourth quarter of 2017 including an estimate of the financial impacts of the above mentioned adaptations on schedule, capabilities and retrofit resulted in an update of the loss making contract provision of € 1,299 million for the year 2017 (restated equivalent loss following the implementation of IFRS 15 was € 992 million for the year 2017).
In 2018, the Company has been working together with OCCAR and concluded the negotiations on a contract amendment. The customer Nations are now set to endorse the agreement to allow pursuing the domestic approval processes with the objective to sign the contract amendment in the first half-year 2019. In the fourth quarter 2018 an update of the contract estimate at completion has triggered a net additional charge of € 436 million. This reflects the outcome of the negotiations, updated estimates on the export scenario during the launch contract phase of the A400M programme as well as applicable escalation and some cost increases. Risks remain on development of technical capabilities and the associated costs, on securing sufficient export orders in time, on aircraft operational reliability in particular with regards to engines, and on cost reductions as per the revised baseline.
The A400M contractual SOC 1, SOC 1.5, SOC 2, SOC 2.5 and SOC 3 development milestones remain to be achieved. SOC 1 fell due end October 2013, SOC 1.5 fell due end December 2014, SOC 2 end of December 2015 and SOC 2.5 end of October 2017. The associated termination rights became exercisable by OCCAR on 1 November 2014, 1 January 2016, and 1 January 2017, respectively. Management judges that it is highly unlikely that any of these termination rights will be exercised as with the upcoming contract amendment these termination rights will be completely reviewed.

7. Research and Development Expenses

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

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

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

9. Other Income and Other Expenses

Other income increased by € +675 million to € 1,656 million compared to € 981 million in 2017. This increase is mainly related to the release of liabilities on the A380 programme (see "– Note 6: "Revenue and Gross Margin") and the gain following the disposal of Plant Holdings, Inc. In 2017, it mainly included the capital gain of € 604 million from the sale of the defence electronics business at Airbus Defence and Space. For more details, see "– Note 3: Acquisitions and Disposals".

Other expenses decreased by € -154 million to € -182 million compared to € -336 million in 2017, which included the arbitral award relating to the Republic of China (Taiwan). For more details, see "– Note 22: Litigation and Claims".

10. Total Financial Result

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

11. Income Taxes

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

In 2018, the effective tax rate was mainly impacted by non-realised tax losses in the period leading to additional deferred tax asset impairment. This was partially offset by the tax-free sale of Plant Holdings Inc. (see "– Note 3: Acquisitions and Disposals"). Without these impacts, the effective tax rate would be approximately 26%.

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

12. Earnings per Share

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

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

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

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

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

13. Intangible Assets and Property, Plant and Equipment

Intangible assets increased by € +5,097 million to € 16,726 million (2017: € 11,629 million). Intangible assets mainly relate to goodwill of € 13,039 million (2017: € 9,141 million). The increase is primarily due to the acquisition of CSALP (see "– Note 3: "Acquisitions and Disposals").

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

Property, plant and equipment increased by € +163 million to € 16,773 million (2017: € 16,610 million), mainly at Airbus Defence and Space (€ +150 million). Property, plant and equipment includes leased assets of € 45 million (2017: € 52 million).

14. Investments Accounted for under the Equity Method

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

15. Other Investments and Other Long-Term Financial Assets

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

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

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

16. Inventories

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

17. Contract Assets, Contract Liabilities and Trade Receivables

As of 31 December 2018, **contract assets** include receivables from revenue recognised on over time contracts in the amount of € 10,380 million (2017: € 11,349 million) and **contract liabilities** include customer advance payment received in the amount of € 50,281 million (2017: € 47,580 million).

18. Provisions

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

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

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

Other provisions are presented net of programme losses against inventories (see "– Note 16: Inventories") and increased due to the inclusion of liabilities related to acquired customer contracts linked to the acquisition of CSALP (see "– Note 3: "Acquisitions and Disposals") and due to the A380 net charge recorded in 2018 (see "– Note 6: "Revenue and Gross Margin").

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 and have agreed a retrofit plan for the implementation of corrective measures. An estimate of the related net future costs has been prepared and is included in other provisions.

19. Other Financial Assets and Other Financial Liabilities

Other Financial Assets

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

Other Financial Liabilities

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

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

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

As of 31 December 2018, the total hedge portfolio with maturities up to 2024 amounts to US$ 81.9 billion (2017: US$ 88.7 billion) and covers a major portion of the foreign exchange exposure expected over the period of the operative planning. The average US$/€ hedge rate of the US$/€ hedge portfolio until 2024 amounts to 1.24 US$/€ (2017: 1.23 US$/€) and for the US$/£ hedge portfolio until 2023 amounts to 1.40 US$/£ (2017: 1.43 US$/£).

The European Governments' refundable advances decreased by € -1,324 million to € 4,577 million (2017: € 5,901 million), primarily related to the update on the A380 programme (see "– Note 6: Revenue and Gross Margin").

20. Other Assets and Other Liabilities

Other Assets

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

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

Other Liabilities

	31 December	
(In € million)	**2018**	2017
Others [(1)]	460	298
Total non-current other liabilities [(1)]	**460**	**298**
Tax liabilities (excluding income tax)	2,706	1,397
Others	2,582	2,512
Total current other liabilities [(1)]	**5,288**	**3,909**
Total [(1)]	**5,748**	**4,207**

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

21. 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)	**2018**	2017
Issued at 1 January	774,556,062	772,912,869
Issued for ESOP	1,811,819	1,643,193
Issued at 31 December	**776,367,881**	**774,556,062**
Treasury shares	(636,924)	(129,525)
Outstanding at 31 December	**775,730,957**	**774,426,537**

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

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

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

22. 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.

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

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

Cash and Cash Equivalents

Cash and cash equivalents are composed of the following elements:

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

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

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

Securities

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

Financing Liabilities

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

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

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

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

23. 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 and Related Commercial Litigation

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

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

ECA Financing

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

Other Investigations

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

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

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

Other Disputes

In May 2013, the Company was notified of a commercial dispute following the decision taken by the Company to cease a partnership for sales support activities in some local markets abroad. The Company believes it has solid grounds to legally object to the alleged breach of a commercial agreement. However, the consequences of this dispute and the outcome of the proceedings cannot be fully assessed at this stage. The arbitration will not be completed until 2020 at the earliest.

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

24. Number of Employees

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

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

25. Events after the Reporting Date

The Company and its largest A380 operator signed a head of agreement on 11 February 2019 (see "– Note 6: "Revenue and Gross Margin").